

GOVERNMENT OF INDIA



Court of Enquiry

Constituted under the Trade
Disputes Act, 1929, to
investigate the question of
dearness allowance for railway
employees

VOL. I—Report

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COURT OF INQUIRY

REPORT.

To

The Secretary to the Government of India,
Department of Labour,
New Delhi.

SUBJECT :—*Report of the Court of Inquiry constituted under the Trade Disputes Act, 1929, to investigate the question of dearness allowance for railway employees, 1940.*

Sir,

Under section 5 of the Trade Disputes Act, 1929, we have the honour to submit the following report on the matters referred to us by the Central Government's Notification No. L.-1714, dated August 7, 1940 (Appendix I) relating to the grant of a war dearness allowance to employees on the G. I. P. Railway.

CHAPTER I. INTRODUCTION.

2. **Composition of the Court.**—The Court has throughout been composed of the following members :

- (i) The Honourable Mr. Justice B. N. Rau, Kt., C.I.E., I.C.S.
- (ii) Sir Shafaat Ahmad Khan.
- (iii) Mr. A. Hughes, I.C.S.

3. **Terms of reference.**—The matters referred to us were :

- (1) What has been the rise in the cost of living for the lower paid staff since the outbreak of war in the various areas in which they are employed ?
- (2) Having regard to the previous movements in wages and prices, does the rise since the outbreak of war establish a case for a war allowance for the lower paid staff ?
- (3) If so, in what areas and subject to what conditions should an allowance be given ?
- (4) How should the allowances, if any, be regulated if in future the cost of living should rise or fall ?

4. A Resolution of the Central Government of the same date (August 7, 1940) (Appendix II) set out briefly the circumstances that preceded the appointment of the Court, and, after mentioning the personnel of the Court and the terms of reference, went on to state that in order to enable the inquiry to be conducted expeditiously, the Government had decided to confine it to the G. I. P. Railway. If, however, as a result of the inquiry the Government adopted any principles regulating the grant of an allowance to any classes of workers on the G. I. P. Railway, they would be prepared to apply the same principles to any other railway servants in their employ to whom those principles might be equally applicable.

5. **Procedure.**—Soon after the constitution of the Court, we sent special notices to the All-India Railwaymen's Federation and to various Trade Unions whose addresses were known, as well as a general notice to all G. I. P. Railway employees, which was widely published on the Railway. The notices recited the terms of reference of the Court and invited those to whom they were addressed to submit their case for a dearness allowance.

6. The Federation presented their case (Appendix III) on August 26, 1940, and supplemented it with an additional statement (Appendix VII) on September 9, 1940. The necessity for an additional statement arose from the fact that in their original case the Federation submitted that the second term of reference had no relevance to the issues raised in the application (Appendix IV). Upon this point we ruled that since the term was there we had to come to a decision upon it. Accordingly, the Federation obtained leave to put in a supplementary statement. The National Union of Railwaymen of India and Burma submitted a separate representation (Appendix XI) on October 8, 1940, but did not desire either to produce additional evidence or to argue their case separately. We also received in response to the general notice a number of representations (not printed) from individual employees or groups of employees; some of these representations raised points which were not relevant to our present enquiry, while others raised substantially the same points as the Federation. Two employees from Sholapur asked for and were granted permission to give evidence in support of one of these representations.

7. Copies of the Federation's case and additional statement as well as of all other representations were duly given to the Railway Administration. The Railway Administration submitted their reply on September 11, 1940, and a supplementary reply on September 16, 1940. Copies of the main documents (without the appendices) are reproduced in Appendix VIII to this Report. The Court commenced its public sittings on September 16, 1940.

8. Between August 17, 1940, when the members of the Court arrived in Bombay, and September 16, 1940, when the public sittings commenced, we visited Jhansi, Sholapur, and Dhond; the Railway Workshops at Parel and Matunga; several workmen's dwellings and a good many shops of the kind at which the working classes buy their provisions. We also went round with one of the officers of the Labour Office of the Government of Bombay and saw where and how he collected the price-data on which the Labour Office cost-of-living index figure for Bombay City was constructed. In order to see how cost-price grain shops were working, we also visited a typical shop of this kind opened by one of the mills in Bombay. The Bombay Labour Office assisted us considerably at this stage of our inquiry in answering our requests for information and allowing us the use of their library.

9. From September 16, 1940, to October 9, 1940, we took evidence, after which we heard the arguments on either side. The formal hearing was concluded on October 12, 1940. During and after the formal proceedings, some of us visited Jubhulpore, Nagpur, Manmad, Cawnpore, and certain other places.

10. **Interpretation of the terms of reference.**—At the first meeting of the Court on August 26, 1940, certain questions were raised as to the interpretation of the terms of reference. The first point taken was what is the meaning of the expression “lower paid staff” occurring therein. We were originally inclined to leave this point entirely open until the end. But at the first public sitting of the Court, both parties pressed us for an immediate decision. Our decision is reproduced below :—

“At our first public sitting on September 16, 1940, we were pressed by both sides to decide immediately as a preliminary issue the meaning of the expression ‘lower paid staff’ occurring in the terms of reference. When the point was raised at an earlier stage, we had indicated our intention of leaving it open until the conclusion of the inquiry. It was, however, urged upon us that the evidence to be produced for the purposes of the inquiry would to some extent be affected by the interpretation placed upon the expression. We, therefore, decided to give the parties a rough idea of the meaning which we were inclined to attach to the expression.

(2) On behalf of the Railway Administration it was argued that the term was synonymous with ‘inferior servant’ as defined in paragraph 823 of the State Railway Establishment Code (new paragraph 1302 of the Code of 1940). According to this definition an ‘inferior servant’ is a ‘railway servant other than workshop staff belonging to a class the sanctioned scale of pay of which does not rise beyond Rs. 30/- a month’. If a similar definition were adopted for the expression ‘lower paid staff’, our inquiry would be confined to persons whose sanctioned scale of pay did not rise beyond Rs. 30/- per month.

(3) Had any such definite income limit been contemplated by the Government of India when they framed the terms of reference, they would have had no difficulty in saying so, but they have, in our opinion, deliberately refrained from mentioning any money limit and have instead used the more elastic term ‘lower paid staff’. To confine the inquiry in advance to income-groups not exceeding Rs. 30/- per month might have amounted to prejudging the dispute by implying that higher groups were not seriously affected by the rise in the cost of living—a point which could not be settled one way or the other until the conclusion of the present inquiry. Hence, in all probability, the use of the term ‘lower paid staff’. How elastic this term is appears from the Railway’s own printed case ; for, although in the body of the case

we have been invited to hold that the term covers only employees whose pay does not rise above Rs. 30/- per month, nevertheless, in the Appendices, in at least two places, the Railway Administration have used the same term in a wider sense. Thus, in paragraph 5 at page 42 of the printed case the term has been applied to employees whose wages range up to Rs. 42/-. Similarly, in the statement in Appendix K intended to show the revised scales of pay for 'lower paid staff' introduced from April 1, 1930, we find a number of categories of employees whose pay goes beyond Rs. 30/- per month. It is, therefore, quite clear to us that the line cannot be drawn at Rs. 30/- per month.

(4) It is, however, common ground that persons drawing Rs. 250/- or more per month cannot be called 'lower paid staff' for the purposes of the present inquiry.

(5) It follows, therefore, that the line must be drawn somewhere between the two extremes indicated above. To see if the matter could be carried a step further, we considered the following facts :—

(a) The Federation's application (Appendix IV) of April 6, 1940 (for the constitution of a Board of Conciliation) described the dispute which had arisen between the Federation and the Railway Board thus :

' Since the outbreak of the war, the prices of various commodities began to rise rapidly and by December 1939 the rise assumed serious proportions. Urgent representations were made by various unions to the respective Railways demanding additional wages to compensate them in (sic) the rise of the cost of living.

The percentage of rise has varied in different Provinces, but, generally speaking, the results of the rise can be met by a grant of dearness allowance of 20 per cent. to those whose wages are between Rs. 30/- and below, 15 per cent. to those whose wages are between Rs. 60/- and Rs. 30/- and 10 per cent. to those whose wages are between Rs. 100/- and Rs. 60/-.

The Railway Board have so far failed to accede to this demand and discontent of workers is growing.'

It would, therefore, seem that there was a definite dispute regarding the wages of employees of these categories. The present Court of Inquiry was appointed as a result of this dispute and it is reasonable to presume that the inquiry was meant to embrace at least these categories of employees within its scope.

(b) The proviso to section 60 (1) of the Code of Civil Procedure protects from attachment the salary of railway servants to the extent of Rs. 100/-, which is an indication that this figure represents 'low pay' level for at least some purposes.

(c) In at least two important industrial disputes in Bombay in recent months recommendations for a dearness allowance have been made even in respect of employees drawing Rs. 100/- per month. Thus, the report of the Board of Conciliation appointed to investigate the dispute between the Bombay Electric Supply and Tramways Co., Ltd., and their employees recommended a dearness allowance at a flat rate of Rs. 4/- per month to each employee drawing up to Rs. 100/- per month in certain circumstances.

The Board of Conciliation appointed for promoting a settlement of the dispute between the New China Mills and their employees recommended a dearness allowance to be given to all employees drawing under Rs. 150/- per month.

(d) In the course of the Enquiry into Working Class Family Budgets in Bombay City in September 1932—June 1933, it was found, amongst other things, that in the case of the income-group between Rs. 80/- and Rs. 90/- per month, the average monthly income was Rs. 82-15-8, while the average monthly expenditure was Rs. 70-4-11 (page 16 of the Report on the Enquiry into Working Class Family Budgets in Bombay City, 1935). If the rise in the cost of living since the outbreak of the war is, as contended by the Federation, between 20 per cent. and 25 per cent.—a contention, which we are not in a position either to accept or reject at this stage—the monthly expenditure would rise to a figure between Rs. 84/- and Rs. 87/- so that even this group would on this basis be unable to balance its budget.

(e) Although the G. I. P. Railway grain compensation allowance has usually been restricted to employees drawing not more than Rs. 30/- per month, this was not the case with the war allowances granted during 1914-18, which extended even to employees drawing more than Rs. 100/- per month.

(6) We, therefore, find it impossible to fix the lower income-limit at anything less than Rs. 100/- per month for the purposes of the present inquiry. Those drawing Rs. 250/- per month or more are, it is common ground, undoubtedly outside the scope. Where the line is to be drawn between these two limits, it is unnecessary to decide at present. If, after considering all the material made available to us, we find that there are certain income-groups even below Rs. 100/- per month, that have failed to establish a case for a war dearness allowance, the question of income-groups of Rs. 100/- and above may not arise at all. If, on the other hand, the evidence establishes a case even in the case of certain income-groups above Rs. 100/- a month, it will be necessary for us to mention this in our report. For the present, all that we need say is that we shall treat employees whose earnings are Rs. 250/- per month or more as being outside the scope of our inquiry, while those who earn Rs. 100/- or less must be held to be included."

11. The next question raised related to the meaning of the opening words of the second term of reference : “ Having regard to the previous movements in wages and prices, does the rise since the outbreak of war establish a case for a war allowance for the lower paid staff ? ” Did this mean “ Having regard *only* to the previous movements in wages and prices etc. ” ? We saw no reason to restrict the issue in this way. Previous movements in wages and prices would, doubtless, be an important factor to be taken into account in considering whether a case for a war allowance had been established, but they were not to be the *only* factor. There might be other countervailing factors, and the terms of reference did not preclude us from giving due importance to these other factors, if any. In this connection we were asked by both parties to state in our report that whatever these other factors might be, the Railway’s “ capacity to pay ” was not one of them. We had no difficulty in agreeing that “ capacity to pay ” was outside the terms of reference, and hence the question of the ability of the Railway finances to bear the cost of the recommendations that we have made is not discussed in this Report.

12. One further point of interpretation was raised by the parties in the course of their final argument. Does the term “ lower paid staff ” include—

- (a) casual labour, or
- (b) labour employed by Railway contractors, or
- (c) persons licensed to work on Railway premises, *e.g.*, to carry passengers’ luggage ?

It seems to us that none of these categories can be said to be within the ordinary meaning of the word “ staff ”. Categories (b) and (c) are not even paid by the Railway Administration. Casual labour is doubtless paid by the Administration and there may be instances (as was admitted before us by one of the Railway Administration’s witnesses) in which casual labour has been engaged from job to job continuously for more than a month ; even so, we find it difficult to hold that men who are employed for broken periods at irregular intervals on varying daily rates are properly comprised in the term “ staff ”. If it is felt that any of these categories should be granted a war dearness allowance on the same basis as regular railway employees, suitable means for doing so will doubtless be devised by the competent authority ; but the matter is outside our terms of reference as we interpret them. We must content ourselves with drawing attention to a complaint made before us by Mr. Gidney, the President of the National Union of Railwaymen of India and Burma, that there is no object in fixing scales of pay or dearness allowance or anything else for railway employees of the lower grades if the scales are circumvented by the employment of “ casual labour ” to do the same work from day to day on a daily wage of five annas. We have not inquired into the facts upon which the complaint is founded

and are not in a position to say how far it is justified. This also applies to a similar complaint made before us by the same union regarding the use of contract labour to do work formerly done by railway employees. Another complaint made to us (in the course of our tours on the railways) related to the employment of temporary hands for long periods, in jobs of a more or less permanent nature. The allegation was in substance that this class of employees, owing to their being deprived of some of the advantages and privileges granted to permanent staff, were in a less fortunate position to meet the increase in the cost of living, and were in consequence more affected by the rise. While appreciating that this contention may have some force in it, we must hold that there cannot be any discrimination between temporary and permanent staff simply on this ground. It is impossible to make any precise valuation of the degree to which temporary staff may suffer more from a rise than permanent staff.

13. We examined 41 witnesses in the course of our public sittings between September 16 and October 9. Thirty-two of these witnesses were produced by the All-India Railwaymen's Federation in support of their case. They consisted of railway servants and shopkeepers. The railway servants had for the most part kept accounts of their transactions showing prices both pre-war and since the outbreak of war, sometimes over long periods, and the shopkeepers were produced to corroborate these prices, from their books.

14. Two witnesses appeared in support of a representation sent in by certain members of the Railway staff at Sholapur. The Railway Administration examined 5 witnesses in support of various points in their case, and we ourselves examined in camera 2 Assistant Commissioners of Labour from the Bombay Labour Office.

15. Briefly, the case made by the Federation was that there had been an increase in the cost of living of 20 per cent. to 25 per cent., and that those employees earning up to Rs. 40/- should have the increase neutralised in full and those employees earning over Rs. 40/-, on a gradually diminishing scale.

16. The Railway Administration relied on the cost-of-living indexes as published for Bombay and other places, and they contended on various grounds that on these figures no allowance was justified.

CHAPTER II.

FIRST TERM OF REFERENCE.

17. The first question which we have to answer in this inquiry is, What has been the rise in the cost of living for the lower paid staff since the outbreak of war in the various areas in which they are employed? There is a slight ambiguity in the expression "rise in the cost of living since the outbreak of war". The war broke out early in September 1939. Are we, under this term of reference, required to compare the cost of living since the outbreak of war with the cost of living *immediately* before the war, that is to say, in August 1939, or, are we required to compare it with the *normal* cost of living before the war? The result of the comparison might be materially different in the two cases, because, in some areas at least August 1939 was an exceptional month already affected by anticipations of war. Thus in Nagpur, the cost-of-living index number, which was practically steady at 60 between January and July 1939, (January 1927 being taken as 100) rose sharply to 64 in August, doubtless owing, at least in part, to rumours of war (*vide* paragraph 7, page 10, of the Report of the Nagpur Textile Enquiry Committee, 1940). The average figure for the 12 pre-war months, including August 1939, was about 61. The average for the 12 "post-war" (throughout the report, we use this expression, for brevity, to describe the period following the outbreak of war) months from September 1939 to August 1940, inclusive, was 68·5. This was about 12 per cent. higher than the average pre-war figure but only about 7 per cent. higher than the figure for August 1939. Although, therefore, in a literal sense, the rise in the cost of living at Nagpur since the outbreak of war (as indicated by the official index number) may be said to be only about 7 per cent., yet in another, and perhaps truer, sense it is about 12 per cent.

18. We do not think that the Government of India intended us to take the literal view. To compare post-war months with a month, which, though pre-war, might already have been affected by the war, would not present a true picture. We could attempt to get over this objection by taking as our base a month, which, besides being pre-war, was beyond controversy unaffected by any anticipations of war, such as July or even June 1939. But this would introduce other sources of error. The cost of living is, as is well known, often subject to seasonal fluctuations. In Bombay, for instance, fresh fish is usually much dearer in the rainy season than at other times, because the catching of fish is interrupted by storms and, therefore, there is a smaller supply of fish available in the market. Similarly, in most areas rice is cheaper in the cold weather months partly because it is harvested in November and December and partly because the agriculturist is forced to sell his stocks in order to meet the Government land revenue demand in January, February and March. In this way, it may happen that June or

July is a comparatively expensive month of the year in certain localities. Again, casual factors may affect the cost of living in particular months : thus, it appears from the evidence given before us that in the Murtazapur area in Berar, July 1939 fell in a period of scarcity. Therefore, to compare the different months of the post-war period with the pre-war June or July, or indeed any other single month of the pre-war period, would not be to compare like with like.

19. For these reasons we consider—and both sides have agreed—that the simplest and fairest course is to read the expression “rise in the cost of living since the outbreak of war” as meaning “rise in the normal or average cost of living since the outbreak of war”; that is to say, we must compare the post-war average figure with the pre-war average. In order to determine the pre-war average, it would perhaps be sufficient to take the period of 12 months from September 1938 to August 1939, inclusive. By averaging over a whole period of 12 months, we eliminate the effect of any seasonal fluctuations in the index and reduce the effect of any casual factors. If we include more than one such period in the computation, there is danger of vitiating the result by introducing extraneous factors which are no longer in operation. We shall, therefore, take as our base wherever possible the average for the period from September 1938 to August 1939 and compare with it the average of the corresponding post-war period.

20. For the purpose of the comparison we shall first proceed on the assumption that the official figures are correct, and we shall afterwards make such allowances as may be necessary for any proved errors therein. The official figures have been constructed on the basis of various enquiries held from time to time into working class family budgets. In Bombay such an enquiry was held between September 1932 and June 1933, the report being published in 1935. The Sholapur enquiry was held between May and December 1925 and the report was published in 1928. The Nagpur and Jubbulpore enquiries were made between September 1926 and January 1927, the report being published in 1929. There are no published reports of the recent enquiries held in Cawnpore and Jalgaon. All the enquiries were set on foot for the purpose of ascertaining the true facts of the cost of living, and the subjects of primary investigation were the size and earnings of families, the cost and consumption of food, fuel and lighting, clothing, miscellaneous articles, and the cost of house-rent and housing conditions, the families studied being arranged according to income-groups ranging usually from below Rs. 30/- per month to over Rs. 90/-. In Bombay there was an earlier enquiry of this kind in 1921-22, the report being published in 1923. The results of all these studies have been tabulated in the various reports and we have made extensive use of them as well as of the cost-of-living index numbers based on them in discussing the issues referred to us.

20-A. **Bombay City.**—(Average from July 1933 to June 1934 =100).

The average of the official figures for the Bombay City working-class cost-of-living index during

September 1934—August 1935=100

„ 1935 „ 1936=101

„ 1936 „ 1937=104

„ 1937 „ 1938=106

„ 1938 „ 1939=104

We have thought it desirable to set out all these five averages, although it is only the last-mentioned average that is relevant for our immediate purpose. But the others will serve to show that the average we have selected as our base (104) is also very nearly the average of the entire quinquennium (103). The figure for August 1939 was 105.

The average during September 1939—August 1940 was 111, which represents an increase of about 7 *per cent.* on the pre-war average of 104.

[The figure for the month of August 1940 was 114, about 10 *per cent.* higher than the pre-war average.]

20-B. **Sholapur.**—(Average from February 1927 to January 1928=100).

The average during

September 1934—August 1935=73

September 1935—August 1936=70

September 1936—August 1937=73

September 1937—August 1938=72

September 1938—August 1939=72

[Average for the quinquennium=72

Figure for August 1939=73].

The average during the 12 months from September 1939 to August 1940 was 77, an increase of about 7 *per cent.* over the pre-war average of 72. [The figure for August 1940 was 76, about 6 *per cent.* higher than the pre-war normal]. It must be mentioned in this connection that the export of *jowari* has been prohibited from Sholapur since January 1940, so that the local price of *jowari* has been kept comparatively low; and as *jowari* is the staple food in this district, the fall in the price of that grain has tended to depress the cost-of-living figure.

20-C. **Nagpur.**—(January 1927=100).

The average during—

September 1934—August 1935=58

September 1935—August 1936=59

September 1936—August 1937=61

September 1937—August 1938=62

September 1938—August 1939=61

[Average for the quinquennium =60

Figure for August 1939=64].

The average of the 12 months—September 1939—August 1940—was between 68 and 69, an increase of about *12 per cent.* over the pre-war average. It has already been pointed out that this figure would fall to about 7 per cent. if comparison is made with the figure for August 1939 instead of with the pre-war average.

[The figure for August 1940 was 71, about 16 per cent. higher than the pre-war average].

20-D. **Jubbulpore.**—(January 1927=100).

The average during—

September 1934—August 1935=56

September 1935—August 1936=56

September 1936—August 1937=60

September 1937—August 1938=58

September 1938—August 1939=57

[Average for the quinquennium =57

Figure for August 1939=58].

The average of the 12 months—September 1939—August 1940—was 65, an increase of about *14 per cent.* over the pre-war average figure of 57.

[The figure for August 1940 was 68, about 19 per cent. higher than pre-war].

It should be remembered in connection with the Nagpur and Jubbulpore figures that they take no account of house-rent. From the evidence given before us it appears that house-rents have not gone up owing to the war ; so that the omission of this item would have the effect of exaggerating the rise in the cost-of-living index number. Thus, if a man spends Rs. 5/- per month on house-rent and Rs. 25/- per month on other things, and the latter expenditure increases by 12 per cent. *i.e.*—to Rs. 28/- per month—while the former remains the same, his total expenditure would increase from Rs. 30/- per month to Rs. 33/-, *i.e.*, by only 10 per cent.

20-E. **Jalgaon.**—This is a Junction on the G. I. P. Railway, and although an industrial centre may perhaps be regarded as the least urban of the places for which a cost-of-living index number is now being maintained. No figures are available prior to June 1940. The figures for June, July and August 1940, based on the average prices for the month of August 1939 taken as 100, were, respectively 110, 111 and 110, which yield an average increase of 10 per cent. over August 1939.

20-F. **Cawnpore.**—Here, as in the case of Jalgaon, the figures available are incomplete. Indices based on a sample of 300 family budgets and worked out with a view to obtaining an approximate measure of the variations in the cost of living of mill workers at Cawnpore since the outbreak of the war are in existence. August 6, 1939, being taken as 100, the figures for the months from January 1940 onwards were as follows:—

January 14, 1940—112

February 11, 1940—112

March 10, 1940—110

April 7, 1940—109

May 5, 1940—109

June 2, 1940—108

June 30, 1940—109

July 28, 1940—109

August 25, 1940—112.

The average for the period works out to 110 or about *10 per cent.* higher than August 1939. A feature of the Cawnpore figures is that the rise in the prices of foodstuffs was never more than 7 per cent. whereas the rise in the prices of the non-food group varied from 12 per cent. to 18 per cent.

21. We may notice at this stage an argument which requires to be considered in connection with our recommendations upon the results of this inquiry. The argument may be briefly put thus: It may be true that the above figures set out quite correctly the rise in the general cost of living since the outbreak of the war, but the whole of that rise cannot be attributed to the war. At least a part of the rise might have occurred in the normal course even without the war. Thus the yearly averages for Bombay City for the 5 pre-war years reckoned from September to August, *viz.*, 100, 101, 104, 106 and 104, show a slight upward tendency, and therefore the normal average for September 1939—August 1940 would have been something more than the average for the preceding 12 months, even if the war had not intervened. Unless some allowance is made for this upward trend, the rise *since* the war cannot be taken as the rise *due* to the war.

22. The short answer to this argument would be that a 5 year period is too brief to be a proper index of the trend. We must go further back to discover the true trend, if one exists. And here we are met by the difficulty that the Bombay cost-of-living figures published before April 1937 are on a different base and a different system of weighting from those published afterwards and contain fewer items. A comparison of the two sets of figures for a short test period has, however, shown that the yearly average yielded by the two methods is almost the same. We may, therefore, treat all the figures as homogeneous for our present purpose. The averages for the successive years commencing from September 1923 and ending with August 1939 (each year being reckoned from September to the following August) work out as follows :—

1923-24—155

1924-25—158

1925-26—154

1926-27—155

1927-28—149

1928-29—148

1929-30—144

1930-31—117

1931-32—109

1932-33—106

1933-34—97

1934-35—100

1935-36—101

1936-37—104

1937-38—106

1938-39—104

23. It is clear from these figures that although there was a slight upward trend from 1933-34 up to 1937-38, there was a steep and steady downward trend from 1926-27 up to 1933-34 and that there was again the beginning of a downward trend between 1937-38 and 1938-39. It cannot, therefore, be asserted that the average figure for 1939-40 would have been anything more than 104 if the war had not intervened; indeed, judging from the previous tendencies, it might well have been less.

24. To test the point further, we have adopted a slight modification of Persons' link-relative method, designed to meet the particular requirements of our problem. Upon the best expert advice we have been able to obtain, we believe the modified method to be valid for our purpose and the results reliable so long as there is

no sharp reversal of trend or a distinct cyclical movement. The underlying principle is easily explained, although the calculations involved are rather laborious. Consider the cost-of-living index numbers of any two successive months in any year, say, August and September. They will usually differ slightly from each other, as the combined result of a number of causes which are in constant operation from month to month and from year to year. If we take the ratio of the two figures for a number of years in a war-free period and strike a mean, we can expect to get what may be called the normal September—August ratio. We then apply the ratio to the figure for August 1939, the last month before the war, and deduce what the figure for September 1939 should have been but for the war. Similarly, we deduce the figures for the succeeding months up to August 1940. We then work out what the average for September 1939—August 1940 should have been if the war had not intervened.

25. We have performed the necessary calculations, taking as our war-free period the 14 years from April 1923 to March 1937 inclusive, a period which is sufficiently long to yield a reliable mean and for which, at the same time, homogeneous figures are available. We are, of course, speaking of the Bombay index figures, which are perhaps the most suitable for any kind of analysis. The results are shown below :—

Month. 1	Calculated normal cost-of-living figure, August 1939 being taken as 105. 2	Actual cost- of-living figure. 3	Difference between calculated and actual figures. 4
			+1
September 1939 . . .	105	106	
October 1939 . . .	105	108	+3
November 1939 . . .	105	109	+4
December 1939 . . .	104	113	+9
January 1940 . . .	104	114	+10
February 1940 . . .	103	112	+9
March 1940 . . .	102	110	+8
April 1940 . . .	101	110	+9
May 1940 . . .	101	111	+10
June 1940 . . .	101	111	+10
July 1940 . . .	102	113	+11
August 1940 . . .	102	114	+12
.. Average . . .	103	111	+8

It will be seen, therefore, that upon the best expectation that could be formed from the actual figure for August 1939 and from the previous tendencies of the cost-of-living index in Bombay over a period of 14 war-free years, the average for September 1939—August 1940 ought to have been 103 but for the war. This confirms what we have stated at the end of paragraph 23. Actually the average of the official figures was 111.

26. It has sometimes been said that the cost-of-living figure in August 1939 was low. If this means that the figure was low compared with the heights reached before the general crash of prices in 1929-31, the statement is undoubtedly correct, the Bombay figures in August 1929 being 149 against 105 in August 1939. (The two figures are not on the same base, but as already pointed out, the change of system has not made any large difference.) Even in August 1932 the figure stood at 108. If, however, the statement refers to more recent tendencies, it does not seem to us to be correct, as the following table will show :—

Centre.	Actual figure for August 1939.	Average of August figures in the five years im- mediately preceding 1939.	Average of 12 months immediately preceding August 1939.	Average of 5 years immediately preceding August 1939.
1	2	3	4	5
Bombay . . .	105	103	104	103
Sholapur . . .	73	72	72	72
Nagpur . . .	64	60	60	60
Jubbulpore . . .	58	58	57	57

It will thus be seen that the actual figure for August 1939 was higher than the average of the preceding 5 Augusts or of the preceding 12 months or of the preceding 5 years.

27. So far we have proceeded on the assumption that the official index figures are correct. The assumption has, however, been challenged on behalf of the railway employees, the attack being principally directed against the Bombay figures. While on this aspect of the matter, we should like to express our appreciation of the manner in which the case was conducted before us by both sides. The Railway Administration founded their case upon the correctness of the official figures; nevertheless, when the Federation asked through the Court for free passes to enable them to bring forward evidence designed to disprove those figures, the Railway Administration generously acceded to the request. On their side,

the Federation took care to see that the privilege was not abused and that only evidence of real value was brought before the Court. Throughout, the case was conducted before us not in the manner of a civil suit between hostile parties but rather of an honest difference of opinion between partners in a common undertaking. The result is that the evidence produced was, with rare exceptions, of high quality, usually supported by unimpeachable documentary proof. Before going into the details of the evidence we may briefly describe its nature. Broadly speaking, the witnesses, other than merchants, examined on behalf of the railway employees were persons whose pay ranged from Rs. 20/- to Rs. 106/- per month, not counting allowances. For the most part their pay was between Rs. 50/- and Rs. 100/- per month. To some extent this was inevitable, as employees of the lower grades seldom keep, or are capable of keeping, regular accounts of their household expenses. We had, however, before us some half a dozen witnesses whose pay was between Rs. 20/- and Rs. 35/- per month.

28. The evidence of the witnesses consisted for the most part of written statements prepared by them from accounts of actual transactions and supported by the relevant book entries or bills. The statements were prepared in a form prescribed by the Federation showing the price of each article of consumption from month to month, both for the pre-war period and for the post-war period. The statements were, as a rule, prepared with care and such errors as were disclosed in cross-examination were, as far as possible, immediately rectified. It was, however, not to be expected that every witness would be able to produce such a statement of prices for every month of the relevant periods. It is, therefore, a matter of some difficulty to collate the statements and work out a general cost-of-living index number upon their basis. Nevertheless the attempt must be made if the effect of the evidence is to be assessed.

29. Analysing the statements we have found that a larger number of them contain prices for August 1939 and July 1940 than for any other pair of months separated by the outbreak of the war. What we have, therefore, done is to calculate from the statements the price relatives or ratios for July 1940, taking August 1939 to be 100. In a few instances we have had to supplement the statements with the oral evidence given by the witnesses. Even so, we have found that in respect of certain articles, such as fish and firewood, no evidence for these particular months have been produced at all by way of rebutting the official figures; in such cases we have presumed the official figures to be correct and have used them to fill the gaps. In this way we have been able to construct from the evidence produced before us an index figure for July 1940 (with August 1939 as the base) in respect of articles of the food group and articles of the fuel and lighting group. The food group index works out to 117 and the fuel and lighting group to 104. The

details of the calculation will be found in Appendix XII to this report. These then are the figures resulting from the evidence produced before us on behalf of the Federation. The official Labour Gazette figures for the same groups, when reduced to August 1939 as the base, work out to 114 and 104, respectively. There is thus a difference of only 3 points in the food group and none at all in the fuel and lighting group between the official figure and the figure which can be regarded as proved by the Federation's witnesses before us. It must be remembered that prices in addition to varying from place to place vary from day to day and even from customer to customer. One witness has told us that the price entered in his statement under any particular month is the maximum reached in that month, whereas the official figures are meant to show the average prices in each month. It is therefore not surprising that the Federation's price-statements show a higher figure; indeed the difference is smaller than might have been expected. So far, therefore, as these two groups are concerned, the evidence has tended to confirm rather than disprove the official figures.

30. So far as house-rent is concerned, it is admitted that the official figure is correct, that is to say, there has been no change in house-rent between August 1939 and July 1940, so that the index number for July 1940 (with August 1939 as the base) is 100 in respect of this item.

31. Two other groups enter into the general index number, namely, the clothing group and the miscellaneous group. In regard to clothing, the official figure is patently and almost admittedly defective. To mention only one source of error, *saris*, which constitute an important item with a weightage of 36 per cent. in the clothing group, have been quoted at the same figure, in the Labour Gazette since September 1939, because later quotations were not available, although according to the evidence led before us the price of *saris* has gone up considerably since the war. According to the figures given by witness No. 3, *saris* have gone up nearly 13 per cent; according to witness No. 5, nearly 29 per cent. and according to witness No. 8, about 37 per cent. in Bombay. The Labour Office witnesses examined by us have candidly admitted the difficulty of ascertaining cloth prices not only in respect of *saris* but also *dhotis*, etc., because of the different varieties sold. Recently they tried to see if by averaging over a large number of varieties they could get a satisfactory mean; but the results were curious, because they showed a percentage increase ranging from 6 to 91 in respect of different varieties between August 1939 and April 1940. Where there is so large a measure of dispersion, apparently no kind of mean can be regarded as satisfactory. Even in the same variety and between the same months the Labour Office found wide discrepancies between different investigators, and the problem still remains unsolved. In the light of these circumstances

it is difficult to base any conclusion upon the recorded official figures for the clothing group included in the Bombay working class cost-of-living index number published by the Bombay Labour Office. None of the Federation's price-statements contains quotations of cloth prices both for August 1939 and July 1940; but there is a good deal of evidence relating to cloth prices generally, both before and after the outbreak of the war. Mr. Jamnadas Mehta, on behalf of the Federation has contended that the evidence produced by him establishes an increase of about 25 per cent. This is undoubtedly the general effect of the evidence: indeed the average of about 20 quotations available in the evidence of witnesses Nos. 1, 2, 3, 5, 8, 9 and 29—all of the Bombay area—discloses an increase of about 28 per cent. But the evidence is by no means uniform; according to the evidence of witness No. 1, the increase in the price of a suit (material and making charges included) works out to about 20 per cent; according to the data furnished by witness No. 2, the increase works out to about 16 per cent; while according to witness No. 3, a particularly careful witness, cloth prices generally have gone up only by 6 per cent. to 12 per cent., though this is qualified by his statement that he is now buying inferior qualities. The evidence thus bears out to some extent the Labour Office plea that different investigators estimate the increase differently. Mr. Daphtary for the Railway Administration has conceded that the rise may have been between 10 per cent. and 13 per cent. but no more. According to the Labour Gazette, the rise was only from 85 to 90, or about 6 per cent. If in the absence of anything better, we take the unweighted average of the rise in the *wholesale* price of piece goods such as long cloth (standard quality), shirtings, *dhotis* (up to 1/2" *nakhi* border), drills, and *chadars* between August 4, 1939, and July 5, 1940, we find an increase of about 16 per cent., the Bombay Millowners' Association's quotations for these qualities being as follows:—

Long cloth (standard quality)—

					Rs.	A.	P.	
August 4, 1939	.	.	.	.	0	8	5	} Increase of 23 per cent.
July 5, 1940	.	.	.	.	0	10	4	

Shirtings—

August 4, 1939	0	8	5	} Increase of 16 per cent.
July 5, 1940	0	9	9	

Dhotis (nakhi border)—

August 4, 1939	0	9	6	} Increase of 5 per cent.
July 5, 1940	0	10	0	

Drills—

August 4, 1939	0	7	6	} Increase of 21 per cent.
July 5, 1940	0	9	1	

Chadars—

August 4, 1939	0	8	9	} Increase of 14 per cent.
July 5, 1940	0	9	11	

In any case the dispute under this item is between a rise of 25 per cent., as claimed by the Federation, and 10 per cent., to 13 per cent. as conceded on behalf of the Railway Administration.

32. We turn now to the miscellaneous group. Here, again, the evidence as to the increase in the expenditure under "travelling to and from native place" which has a weightage of 27 per cent. in the group is difficult to assess. Witness No. 9 has stated that his bus fare went up from 12 annas to 1 rupee between Easter 1939 and December 1939, an increase of 33 per cent. and witness No. 13 has stated that his bus fare from Poona to Karad has gone up since the war from Rs. 2/- to Rs. 3/- an increase of 50 per cent. Witness No. 10 has given evidence that his steamer fare to Janjira has gone up from Rs. 1-5-0 to Rs. 1-10-0, an increase of 24 per cent. Admittedly the official figures are based only on railway fares and take no account of the rise either in bus fares or steamer fares. Accordingly they show a rise of only about 8 per cent. between August 1939 and July 1940. Mr. Jannadas Mehta contends that there has been a rise of about 35 per cent. under the item of travelling, on its full weightage of 27 even after making allowance for the fact that most railway employees travel by rail on free passes. On the other hand, Mr. Daphtary, on behalf of the Railway Administration, argues that although the official figure ignores the increase in bus and steamer fares, the defect is rectified, so far as railway employees are concerned, by the increase of 8 per cent. allowed under railway fares, seeing that railway employees generally travel free on the railway and that only a small fraction have occasion to travel by bus or steamer.

33. The position of the two parties as to the increase in the cost of living in Bombay between August 1939 and July 1940 may, therefore, be summarised thus :—

Food group—

Index number according to the price-statements put in by the Federation	117
Official index number	114

Fuel and lighting—

Index number according to the price-statements put in by the Federation	104
Official index number	104

Clothing—

The official figure is admittedly defective	
Index number as contended on behalf of the Federation . . .	125
Maximum index number conceded by the Railway Administration	113

House-rent—‡

Undisputed index number 100

Miscellaneous—

Index number according to the Federation, on the basis that travelling expenditure has gone up by 35 per cent. 115

Official index number 98

34. We are now in a position to evaluate the general cost-of-living index figure on the evidence produced by the Federation as also the figure which results from the Railway Administration's admissions. The former works out to 114, assuming the official weightage of the several items and groups to be correct, while the latter works out to 109. The official figure which is admittedly defective in regard to the clothing group and is plainly inapplicable to railway employees as regards travelling expenditure (except on the footing that the defects cancel each other) works out to 108.

35. The difference between these figures is not large and it so happens that we have certain other materials in evidence which enable us to bridge the gap between them. Let us assume for the moment that the correction to be applied to the official figure in order to get the true figure is 6 points (or roughly 6 per cent.) which results from the Federation's evidence and not merely 1 point as conceded by the Railway Administration. Strictly speaking, this is with respect to the figure for a particular month, namely, July 1940, with August 1939 as the base. Applying, however, a proportionate correction to the figure for each month since the outbreak of the war, we would get about $111 + 6$, or 117 as the true average cost-of-living index figure for the period from September 1939 to August 1940. This would give an increase of about 13 per cent. over the pre-war average of 104 whereas according to the Railway Administration's figure the increase would be 8 per cent.

36. Now we have had at least 2 witnesses before us, Nos. 2 and 3 who have given us accurate and comparable data as to their total expenses under all heads for each month for a considerable period both before and after the outbreak of the war. The Railway Administration did not even attempt, in their cross-examination, to challenge the veracity of these witnesses. Witness No. 2 has produced his account book giving his monthly expenditure in the fullest detail from January 1939 onwards up to date from which it appears that his average monthly expenditure before August 1939 was Rs. 73-4-0, while his average expenditure after August 1939 was Rs. 82/- per month, the former average being calculated over a period of 7 months prior to the war and the latter over a period of 11 months after the outbreak of the war. He bought roughly the same quantities during both periods. The result shows an increase of about 12 per cent., in spite of his buying inferior qualities of cloth during the latter period.

37. Witness No. 3, whose candour and meticulous accuracy of statement were most impressive, has testified that his monthly expenditure has gone up since the war from Rs. 85/- to Rs. 92/- per month, an increase of about 8 per cent. It must, however, be pointed out in this connection that this was in spite of various economies both in quality and quantity as detailed in his evidence. Thus he now buys wheat of inferior quality and *dhotis* of reduced length (10 yards a pair instead of 11 yards); in *saris* also, he now buys a cheaper variety, costing no more than the superior quality which he used to buy before. But for these economies, the increase in his expenditure would have been somewhat more. The witness gets a monthly pay of Rs. 106/- plus 15 per cent. local allowances and therefore belongs to a class that has a margin for retrenchment.

In addition to the two witnesses just mentioned, there is another witness—witness No. 29—whose total expenditure during the 12 months from September 1938 to August 1939 and also during the 12 months from September 1939 to August 1940 can be calculated from the figures he has supplied. But we doubt if in his particular case the two periods are strictly comparable, the figures being complicated by extraordinary expenditure on account of births, illnesses, schools-fees, guests, etc. For what they are worth, the figures can be arrived at in the following way; witness had no debts at the end of August 1938; during the next 12 months, his net earnings were Rs. 702-8-0, to which must be added what he got from his brother, namely, Rs. 40/- in November 1938 and Rs. 25/- in April 1939; at the end of the 12 months he was in debt to his grocers to the tune of Rs. 54-8-0. It follows that his total expenditure during this period must have been the total of all these sums, *i.e.*, Rs. 822/-. During September 1939 to August 1940, his net earnings were Rs. 682-4-0; in addition he got Rs. 170/- from his father-in-law; at the end of August 1940, his debts to his grocers stood at Rs. 39/-, *i.e.*, Rs. 15-8-0 less than at the end of August 1939, so that his total expenditure must have been Rs. 836-12-0. If we have regard only to his expenditure on food and groceries, we find that his purchases during both periods were about the same, *viz.*, about Rs. 286/-. But it has to be remembered that he had a number of extra relations staying with him during December 1938, a factor which makes it difficult to compare the two figures. There are two other witnesses Nos. 8 and 9, in whose case also detailed figures of their grocery bills and their house-rent are available; but their expenditure on clothing and on certain items of the miscellaneous group is not in evidence. Their monthly expenditure, excluding these two groups, shows an increase of 11 per cent. and 12 per cent., respectively, since the war. Witness No. 8, it may be mentioned, has made no material change in the quality or the quantity of his purchases. We have arrived at these figures in the following way. So far as witness No. 8 is concerned, we have an accurate account of his purchases month by month from January 1939 in the evidence of witness No. 4

(when examined upon the second occasion). The figures supplied by this witness show that the average monthly bill for the period from January 1939 to August 1939, omitting the exceptional month of June, was Rs. 20-4-0 and the average bill for the period from September 1939 to August 1940 was Rs. 25-5-0. This was on account of foodstuffs and groceries. The house-rent including electricity charges was Rs. 25-8-0 per month during both periods. The increase under all these heads was therefore from Rs. 45-12-0 to Rs. 50-13-0 or about 11 per cent. In the case of witness No. 9, his expenditure on provisions has gone up from an average of Rs. 15/- per month to about Rs. 18/- per month, while his house-rent has remained at Rs. 10/- per month. The total increase is thus from Rs. 25/- per month to Rs. 28/- per month or about 12 per cent. It must be mentioned that the witness states that this is in spite of drastic economies both in quality and quantity. We leave out of account witnesses who have merely given rough estimates of their increased expenditure as being 20 per cent. or 25 per cent. more than before the war; these estimates are lacking in precision and therefore of no real value for our purpose. We also leave out of account the statements of various merchant-witnesses relating to wholesale prices: owing to the gap between wholesale prices and retail prices, both in time and range of variation, it is not safe to argue from the one to the other. We should, however, mention the evidence of witness No. 35, who was examined on behalf of the Railway Administration. His purchases of foodstuffs from Sheikani Bros. have gone up from an average of Rs. 8-13-0 per month before the war to Rs. 11-13-0 since the outbreak of the war an increase of about 34 per cent. To what extent this was due to a rise in prices and to what extent to extra guests is not easy to say, and so, on the whole, witness's evidence is not of much value. The average increase in the total monthly expenditure of witnesses Nos. 2 and 3 is about 10 per cent. and if we include witnesses Nos. 8 and 9, the average increase is about 11 per cent. These figures happen to be almost midway between those mentioned at the end of paragraph 35. We, therefore, feel justified in stating that on the best consideration that we have been able to give to the matter and taking into account all the evidence of real value produced before us, the rise in the general cost of living in Bombay City since the outbreak of the war is between 10 per cent. and 11 per cent. We shall indicate in a subsequent paragraph that the rise may be 3 per cent. to 4 per cent. higher, in the case of those who were living on the margin of solvency just before the war; what we are stating now is only meant to apply to the generality of consumers. It is interesting to find that the Board of Conciliation appointed to promote a settlement of the dispute between the New China Mills and their employees—often referred to as the Rangnekar Board—came to the conclusion that the cost of living in January 1940 was about 13 per cent. higher than in August 1939, when the rise indicated by the official figures was between 8 per cent. and 9 per cent. Our finding, on the

evidence produced before us, is that the *average* rise in the cost of living over the 12 months since the outbreak of the war is between 10 and 11 per cent. against a 7 per cent. increase indicated by the official figures.

38. We may at this stage notice certain other criticisms of the Labour Office cost-of-living figures advanced by Mr. Jamnadas Mehta on behalf of the Federation in the course of his argument. It will be remembered that according to the Federation's case the cost of living has risen since the outbreak of the war by a figure between 20 per cent. and 25 per cent. In general support of this case Mr. Mehta has invoked Dr. Gregory's broadcast of January 12, 1940, in which he is reported to have said :—

“ Taking 2nd September as equal to 100, then, broadly speaking, by the end of the year the general index of primary commodity prices had risen to 137. * * * The impression I wish to leave with you is that wholesale prices as a whole to-day are something like one-third higher than they were 4 months ago. * * * ”

The index referred to here is an all-India index number of wholesale prices. The implication in the argument is that retail prices follow wholesale prices and that the cost of living, depending as it does upon retail prices, must also follow wholesale prices. Consequently, it is urged, the cost of living in January 1940 must have been nearly one-third higher than immediately before the outbreak of the war.

39. There are two flaws in this argument. In the first place, the position has changed a good deal since January. The all-India index number of wholesale prices, which attained a maximum of 139·5 in the week ending January 6, 1940 (week ending August 19, 1939=100), declined steadily until in the week ending July 6, 1940, it stood as low as 109·8. Since then it has declined further and in the week ending August 31, 1940, it was only 108, or only 8 per cent. more than before the outbreak of the war, although it is now showing a tendency to rise again.

40. If, instead of taking the index numbers of wholesale prices for all-India, we take those for Bombay alone (given in the Bombay Labour Gazette) the result is similar. With July 1914=100, the figures for Bombay were:—

August 1939	.	.	.	.	.	.	.	. 103
September 1939	.	.	.	.	.	.	.	. 120
October 1939	.	.	.	.	.	.	.	. 121
November 1939	.	.	.	.	.	.	.	. 133
December 1939	.	.	.	.	.	.	.	. 135
January 1940	.	.	.	.	.	.	.	. 128
February 1940	.	.	.	.	.	.	.	. 124

December 1939, whereas the metal group hardly affects the ordinary family budget or enters into the cost-of-living figure. The contribution of the food group to the general increase (32 points) is given by the increase in the food index (22 points) \times its weight. (14) \div the total of the weights (40) = 7.7 points, while the contribution of the metal group was $126 \times 5 \div 40 = 15.7$ points. Comparing similarly the figures for August 1940 (which is the latest month for which figures are at present available) with the figures for August 1939, we find once again that such increase as there has been was largely (6.1 out of 9 points) due to the metal group. The wholesale price figure for the food group showed no increase at all and thus contributed nothing to the increase in the general number. In other words, the rise in the general index was mostly due to the metal group, which hardly affects the cost of living, and not at all to the food group, which enters most largely into the cost of living. It is, therefore, a fallacy to argue that merely because there has been an increase in the index number of wholesale prices for Bombay, as that number is constructed, there must necessarily be an increase of the same order in the cost-of-living figure. The factors that enter into the two figures are not all the same and much depends on the particular factor that has caused the rise in the wholesale index.

42. Three other arguments advanced on behalf of the Federation may next be noticed. The first is that the official cost-of-living index number takes no account of the rise in the price of medicines, stationery and household utensils, all of which, have risen in price much more than the articles included. Another point made is that the weightage given to the food group in constructing the official figure is insufficient. The third point is that the units adopted for the ascertainment of retail prices in the construction of the official figure are in some cases larger than the actual unit of purchase of the small retail customer. A sufficient answer to all these arguments is that as we have found from the evidence of some of the Federation's own witnesses, that their monthly expenditure has increased by an average of 10 or 11 per cent. and as we are prepared to accept this figure as the true measure of the increase, it is immaterial whether the official figure is defective or not. We shall, however, proceed to consider each of the arguments on its merits.

43. It is true that the prices of medicines, stationery, household utensils, etc., have gone up by 20 per cent. or 25 per cent., and in some cases much more, according to the evidence given before us. It is also true that so far as medicines are concerned, the official figure shows no change in the price since the outbreak of the war and that the other articles find no place at all in the miscellaneous group reflected in the figure. On the other hand, we must remember that, as stated by witness No. 17, the poorer

classes buy indigenous medicines, which have not gone up in price except where the increase is due to the price of the bottle. Indeed, the evidence of witness No. 7 shows that his Ayurvedic doctor has been charging him a little less for medicine than before, while the daily fee for attendance (Re. 1/-) has remained unchanged. There is also force in the reply of the Labour Office witnesses that the price of a bottle of medicine is not necessarily affected by the increase in the cost of medicines so long as the contents of the bottle are an unknown quantity; and they have found from their inquiries that the price of a bottle of medicine has in fact remained unaltered. Then again the weightage of the expenditure on medicines, stationery, cooking utensils, etc., is small and indeterminate. Individuals may on occasion have to incur considerable expenditure on medicines; but the average monthly expenditure of a family on medicines and medical fees was found to be only about 3 annas during the inquiry into 1,469 working class family budgets in Bombay City during September 1932—June 1933; only about 13 per cent. of the families reported expenditure on this item. Expenditure on cooking utensils does not appear to have been separately recorded in the published report of that inquiry, but during the earlier inquiry of 1921-22 the average monthly expenditure on this item was found to be about $8\frac{1}{2}$ annas, although it was admitted that the relevant figures were not available in sufficient detail. Assuming on these figures that the total monthly expenditure under medicines, stationery, cooking utensils, etc., in an average family before the war, was of the order of Re. 1/-, and has gone up since the outbreak of the war by 8 annas (an increase of 50 per cent.) over and above the average, this would amount to an increase of only about 1 per cent. on Rs. 45-15-0, which was the total monthly expenditure of an average family as found during the inquiry of 1932-33. In other words the defects and omissions complained of in the miscellaneous group might have operated to depress the general cost-of-living index figure by 1 point at most. The figures available in the evidence of witness No. 3 appear to bear out this conclusion. It must be remembered that this witness gets about Rs. 120/- per month (including allowances) and has a family of 7 members, so that both his income and his expenditure are much above the average. According to him cups and saucers, of which he buys 3 every 3 months, have gone up in price from Rs. 1-2 or Rs. 1-4 to Rs. 2-4 per dozen; galvanised iron buckets, which last him 9 or 10 months, have gone up from 9 annas or 11 annas to Re. 1/- each; brass utensils, on which he spends Rs. 10/- or Rs. 12/- per year, have gone up from 10 annas per lb. to 12 annas per lb. It follows from these figures that his pre-war expenditure on these items was equivalent to about Rs. 1-3-0 per month and his present expenditure to about Rs. 1-8-0 per month—an increase of 5 annas per month. In adopting 11 per cent. as the measure of the increase under all heads, we have allowed for an increase of 2 annas on these items as well,

so that the error amounts to only 3 annas per month. Witness's total monthly expenditure before the war was, it will be remembered, about Rs. 85/- ; the effect of the error is therefore less than $\frac{1}{4}$ per cent.

44. The next point relates to the insufficient weightage said to have been given to the food group in the construction of the official figure. As is well known, the official number is constructed on a system of weights given to various articles of consumption classified in 5 groups : food, fuel and lighting, clothing, house-rent, and miscellaneous. The weight to be given to each group was calculated from the expenditure upon that group by an average working class family as disclosed during the inquiry of 1932-33 ; the average expenditure on food having been found to be about 47 per cent. of the total monthly expenditure, the food group has been assigned a weight of 47. It is said that this is low in present circumstances. Let us assume for a moment that it is in fact unduly low and let us give the food group an additional weightage of 10 points, so as to raise the weightage to 57, which was very nearly the figure resulting from the inquiry of 1921-22. Taking the Federation's own data as to the index numbers of each group, namely, Food (57) 117, Fuel and Lighting (7) 104, Clothing (8) 125, House-rent (13) 100, and Miscellaneous (14) 115, the general cost-of-living index number would, on the increased weightage of the food group, work out to 114.2, which is only a fraction of a point higher than the figure resulting from the lower weightage. This is only a further illustration of the general proposition that when the price-increases in the different groups are not markedly different, small errors in the weighting of the groups are not of much consequence. But of course a large shifting of weight from a group in which prices have not risen much to a group where the rise has been considerable will make an important difference. Although, therefore, this particular argument used by the Federation is not of much force in the general case, it assumes great importance in the special case of the lowest-paid railway employee, as we shall show immediately.

45. About 45 per cent. of the permanent staff of the Great Indian Peninsula Railway drawing less than Rs. 30/- per mensem are provided with rent-free quarters. Most of them also get a certain amount of clothing free. In rural areas their expenditure on fuel must be little or nothing. Railway servants on pay below Rs. 25/- per month are entitled to gratuitous medical attendance for themselves and their families. In the light of these facts, let us consider the budget of a railway employee of the above type, whose monthly income is Rs. 15 and who has a family of 4 members to support. He spends nothing on house-rent since he gets free housing and little or nothing on fuel. He has to spend a little on clothing for the members of his family and partly for

himself; but from the figures appearing in the evidence of the gangman witness No. 11, this would be less than Re. 1/- per month. Almost the whole of the rest of his income would be spent on food. Thus his budget would be, let us say, Rs. 13/- for food, Re. 1/- for clothing, and Re. 1/- for miscellaneous expenditure. Now, on our findings, food has gone up in price by about 16 per cent. and clothing by about 19 per cent. and even if we ignore any increase in the miscellaneous expenditure, his budget would show an increase of Rs. 2-1-0 under food and 3 annas under clothing or a total increase of Rs. 2-4-0. In other words, his cost of living has increased by 15 per cent. as compared with 11 per cent. in the case of the general consumer. The reason for this appreciable difference is that this type of budget is widely different from the ordinary type, food accounting for nearly 90 per cent. of the expenditure and house-rent being of no account at all. In fact, it approximates to the type of budget on which the Jubbulpore official cost-of-living figure is constructed; this, it will be remembered omits the house-rent item altogether and assigns a weightage of 75 per cent. to the food group, with the result that it shows a rise of 14 per cent. over the pre-war average.

46. We may in passing mention the fact that although the weightage given to the food group in the computation of the Bombay index number is nominally 47, it is actually more. The details of the computation in each issue of the Bombay Labour Gazette will show that the weight actually given to the food group is 47 out of a total, not of 100, but of 89. 47 weights out of a total of 89 are equivalent to about 53 weights out of 100. In other words, the actual weightage works out to nearly 53 per cent.

47. We now take up the next point made, namely, that the unit adopted for the purposes of the official index number is in some instances too large. The argument is that in the case of certain articles of food, a small retail customer does not buy so many pounds or seers, but a pice worth or two pice worth of goods. Therefore, it is said, the retail price ought to be worked out on the latter system of purchase rather than on the former, and when so worked out, the percentage increase would be higher. As an example, a person buying eggs by the dozen may find that the price has gone up from 5 annas to 7 annas—an increase of 40 per cent.—while another person buying six pice worth of the same eggs will find that whereas he could get 3 eggs before, he can get only 2 now, which represents an increase of 50 per cent. in the price. But, in the first place the argument is not applicable to the more important articles like rice or wheat which even the small customer usually buys by the paylee or the seer or whatever the local measure may be. It applies only to comparatively minor articles of consumption, such as milk, sugar, and salt, and even here the effect

is not always in the same direction. Witness No. 12 has told us "If sugar is $3\frac{1}{2}$ seers per rupee and a customer asks for half-an-anna's worth, I would give him $1\frac{1}{2}$ chhataks,—i.e., at the rate of 3 seers per rupee. If sugar goes up to 3 seers per rupee, $1\frac{1}{2}$ chhataks for half-an-anna; so too if sugar goes down to 3 seers, 10 chhataks per rupee. It cuts both ways; sometimes this type of customer gains and sometimes he loses by his mode of purchase." That is to say, even when the price per seer shows an increase, the quantity sold for half-an-anna may show no decrease. If allowance is made for these two factors, namely, that the argument applies only to certain minor articles of consumption and that it sometimes works in favour of the small buyer, (in the sense that his prices do not go up in the same proportion as the official retail prices) the force of the argument is greatly reduced.

48. There remains one further point to be considered. Does our conclusion about the average rise being 10 or 11 per cent. require any qualification in the case of those who buy on credit rather than for cash? It might appear at first sight that, since the index figure depends upon the ratio of two prices, it is immaterial whether the prices compared are both cash or both credit. This is undoubtedly so, but there is a class of persons who before the outbreak of the war just lived within their income and are no longer able to do so because of the rise in prices. They were able to buy at cash prices before the war and are now compelled to buy at credit prices. In their case, therefore, the cost of living must have increased by something more than 10 or 11 per cent.

49. Let us examine this point a little further. Several merchant witnesses were examined before us in the course of the inquiry and have explained to us with unusual candour their practice of dealing with defaulting customers. Thus, witness No. 23, a merchant of Dadar, a suburb of Bombay, said:—

"If a customer does not pay his bill at the end of the month and is able to give a satisfactory explanation, I give him an additional month's time; if he defaults even then, I charge him an extra pice or two in the price of certain articles. The number of defaulters is increasing, owing to the increasing cost of living. [Reads from his books]. For example, I have a defaulter A—who had been in arrears since November 1938. On 17th January, 1939, I sold him 2 seers of *turdal* for $5\frac{1}{2}$ annas, whereas on the same date, I sold to another customer 2 seers of the same *dal* for 5 annas. Again, on the same date, I sold to A—7 lbs. of *gur* for Re. 1/- and $3\frac{1}{2}$ lbs. for 7 annas to the other customer. A—has now left me, owing about Rs. 31/- odd in all".

would not be less than half an anna in the rupee per month. As will be seen presently the net result in the two cases would not ultimately be materially different; in the one case he is in debt to his grocer who charges him higher prices in lieu of interest, in the other case he borrows from a third person and has to pay him interest at the same rate.

51. We should like to elaborate this point a little further as it is of some importance. Let us suppose that in order to avoid his credit being stopped or his prices being raised, the customer borrows from a moneylender and pays up his grocer's arrears. The monthly deficit in the case put being Rs. 3/- he has to borrow Rs. 36/- in the course of the 12 months following the outbreak of the war. What is his position at the end of the 12 months? His monthly dues will now be Rs. 33/- *plus interest on the loan of Rs. 36/-*. Even if we calculate interest at the rate of half-an-anna in the rupee per month. (the usual rate being one anna) and even if we ignore any interest accrued during the 12 months, his monthly dues on account of interest at the end of the 12 months will be Rs. 1-2-0, so that his monthly deficit will now be Rs. 4-2-0 instead of Rs. 3/- as before. In other words, the result is the same as if his prices had gone up by nearly 14 per cent. instead of by 10 per cent. The argument, it must be noticed, does not apply to persons who have reserves to fall back upon, either in the shape of ornaments which they can sell or rich relations whom they can approach for assistance nor to those who are in a position to borrow on easy terms from Co-operative Banks or elsewhere. On the other hand, it will apply with added force to the lowest-paid employees who, being unable to furnish security or personal sureties or for any other reason have to borrow from moneylenders and pay a higher rate of interest than that assumed above. Thus, an employee of the type of witness No. 28, a fitter cooly of Satna on a pay of Rs. 20/- per month, has to pay interest at one anna in the rupee per month when he borrows from *Sowcars* besides what he has been able to borrow from the G. I. P. Co-operative Bank. In such a case, the additional increase works out to nearly 7 per cent. instead of 3 per cent. or 4 per cent.

52. However we may describe this effect—whether we put it down to the difference between credit and cash prices to a customer who was able to buy at cash prices before the war and is now obliged to buy at credit prices, or whether we ascribe it to the burden of accumulated deficits due to a lag in neutralisation, the result is to add about 3 per cent. or 4 per cent. or sometimes more to the increase in the cost of living. To summarise our conclusions: in Bombay we find that the average increase in the cost of living during the 12 month period from September 1939 to August 1940 was 10 per cent. or 11 per cent. to the general consumer with an addition, usually of the order of 3 per cent. to 4 per cent., in the case of a person who was only just able to live within his means before.

the war. The difference between the figure we have found and the figure resulting from the official index numbers is due, amongst other causes, to the fact that the official index numbers for the clothing and miscellaneous groups are defective.

53. The official index figures for Sholapur are open to criticism on the same grounds. In the first place, the quotation for the *sari* item in the clothing group has remained unchanged since January 1938 and the quotation for *dhoties* has remained unchanged since March 1940. Travelling expenses to and from home do not enter at all into the miscellaneous group, so that the official index figure for that group does not reflect the increase in bus or steamer fares or even in railway fares. It is, therefore, not possible to say what correction should be introduced into the official Sholapur figure. So far as the cost-of-living index figures for other centres are concerned, no particular attack was made upon them by either side and we are therefore content to take the figures as they stand. We have already observed that the figures for Nagpur and Jubbulpore have slightly exaggerated the increase that has taken place in the cost of living at those places, inasmuch as they do not include house-rent—an item which has not moved since the outbreak of the war.

54. So far as the general consumer is concerned the result, therefore, stands thus: Increase in Bombay 10 per cent. or 11 per cent.; Sholapur 7 per cent. on the official figures, which are probably an underestimate; Nagpur 12 per cent., which is probably a slight overestimate; Jubbulpore 14 per cent., which is also probably a slight overestimate; Jalgaon 10 per cent.; Cawnpore 10 per cent. The average of all these figures is about 11 per cent.

55. For places other than these, on the G. I. P. Railway, there are no official figures; nor, except perhaps for Manmad, are there sufficient data in the evidence given before us from which we can work out the increase in the cost of living. Thus, for Wardha, although three statements of prices (Exhibits 13, 14 and 17) have been put before us, none of them contains any information about food-grains, or pulses, or cloth. For Dhond, we have Exhibits 11, 16, 24 and 25; neither Exhibit 11, nor Exhibit 24, nor Exhibit 25 gives sufficient data; Exhibit 16 might have been of some assistance but for the fact that there are several discrepancies between this statement and the detailed accounts [Exhibit 16 (a)] from which it is said to have been compiled. For Jhansi, the relevant documents are Exhibit 18, Exhibit 23, and Exhibit 30. Exhibits 18 and 30, even when combined, give no information about the fuel and lighting group or the clothing group, or the miscellaneous group, while Exhibit 23 only contains certain accounts for various months of the year 1940 and even these are of doubtful reliability. For Manmad, we have certain figures in the evidence of witnesses No. 18 and 30 based on the accounts

in Exhibit 15 (a); from these it appears that witness No. 18's average expenditure on various articles of food and on kerosene and matches during the period October 1938—August 1939 was Rs. 15/- against an average of Rs. 17/- in the next 12 months. This gives an increase of about 13 per cent. If we include this figure in the list in the preceding paragraph, the resulting average still remains at 11 per cent.

56. These figures are in each case subject to what we have said in paragraph 45 as to the steeper rise in the case of the lowest paid railway employees and also to what we have said in paragraph 52, as to the additional burden to those who were on the margin of solvency just before the war.

57. It will be seen that there is no great variation in the all-round increase between one place and another. We have, however, already referred to a peculiarity of the Cawnpore figures, namely, that in that area the increase has been much more in the non-food group than in the food group, whereas in the other places such is not the case. This suggests that the uniformity of the general rise is due to different factors predominating in different places so as to produce somewhat the same effect upon the whole rather than to any one cause operating in the same way everywhere. But whatever may be the reason, the fact is that, so far as we have been able to ascertain, the rise in the cost of living has been much the same in every place, somewhere in the neighbourhood of 11 per cent. for the general consumer.

58. We have had little evidence produced before us during the present inquiry about the cost-of-living in rural areas, the only witness of any value on this point being witness No. 11, the Lonavla gangman already mentioned. His statements, so far as they go, seem to us to be accurate, although not fortified by any books of account. He has given us a good many figures showing the rise in prices of articles of food and clothing which he has been buying from a shop at Valvan, a place between Lonavla and his village Varsuli. So far as they can be checked from the evidence of witness No. 12, a Lonavla merchant, who mainly speaks to wholesale prices, they show that there has been no attempt at exaggeration on the part of the gangman. We accordingly accept his figures, in the absence of anything better, and on the basis of these figures we find that in the food group his prices have gone up by about 18 per cent. since the outbreak of war and in the clothing group by about 24 per cent. The corresponding figures found by us for Bombay City are respectively 16 per cent. (midway between the official figure of 14 per cent. and the Federation's figure of 17 per cent.) and 19 per cent. (midway between the figure of 13 per cent. conceded by the Railway and 25 per cent. claimed by the Federation). It follows that the increase at Valvan has been slightly, though not

much, higher than in Bombay. Indeed, it was contended before us on behalf of the Federation, that generally speaking, the increase in rural areas has tended to be higher than in towns because of the fewer shops and the consequent absence of competition and also because of the difficulty of controlling prices in remote places. Certainly such evidence as has been produced before us shows that the increase in rural areas has not been less than elsewhere, and the Railway Administration have not produced any good evidence to the contrary.

59. In the Railway Administration's printed case (Appendix D), a good deal of information has been supplied to us regarding grain prices in a large number of stations including many for which a general cost-of-living index figure is not available. We do not, however, think that we can arrive at any definite conclusions on the figures furnished. For one thing, only the prices ruling in December of the years preceeding 1939 have been quoted ; for 1939, only the August prices and for 1940 only the June prices. It is not possible from these figures to say what has been the average rise in staple grain prices during the 12 months following the outbreak of the war as compared with a similar period before the war. A more serious criticism is that the figures supplied seem to be self-contradictory in some cases : thus the information given at page 26 of the printed case regarding Banda, Hoshangabad, and Jhansi is not easy to reconcile with what appears at page 30 regarding the same three places. Indeed the Railway Administration themselves in their argument before us admitted that Appendix D cannot be relied upon to show the true increase in different places, nor even whether one place is dearer or cheaper than another. That the figures are unreliable would be obvious from a cursory examination of the Appendix : thus, they show that in June 1940 rice was actually cheaper in Thanana and Kalyan than before the war, whereas it has been proved before us that rice was then dearer. [*Vide* Exhibit 5 for Thanana and Exhibit 13 for Kalyan, the former showing a rise of 19 per cent. between June 1940 and August 1939 and the latter a rise of 23 per cent. during the same period.] Again, it appears from the Appendix that in Murtazapur rice was nearly 100 per cent. dearer in June 1940 than in August 1939, although, according to witness No. 39, the Extra Assistant Commissioner of Akola, scarcity conditions prevailed in Murtazapur from July to November 1939. For these reasons, we do not think that the figures in Appendix D are of any real value.

CHAPTER III.

SECOND TERM OF REFERENCE.

60. The second term of reference requires us to find whether, having regard to the previous movements in wages and prices, the rise in the cost of living since the outbreak of war establishes a case for a war allowance for the lower paid staff.

61. There are at present 3 scales of pay in force on the G. I. P. Railway : one referred to as the Manmad scale, another as the Chandwani scale, and the third as the revised scale for new entrants, or, more briefly, as the revised scale. The Manmad scale was introduced in April 1920, with retrospective effect from April 1, 1919, apparently as a result of negotiations with a meeting of delegates from a number of stations held at Manmad in April 1920. The origin and the effect of the scale are described by the Railway Administration in the following terms :—

“ Speaking generally, during the 4 years’ war various additions to pay were given from time to time, including a war allowance. These additions were consolidated after the war at a level which, absorbing the allowances and granting further increases were regarded as adequate compensation for the increased cost of living caused by the war. These may be termed the Manmad scales”. (paragraph 16 at page 11 of the Railway’s printed case).

62. The Chandwani scale was introduced in April 1930. It was for the most part an improvement on the Manmad scale, but it did not apply to workshop staff ; and where it was not an improvement the staff concerned were permitted to retain the Manmad scale.

63. The genesis of the revised scale for new entrants is described thus in the Railway’s printed case : “ In 1931, owing to the depression which had set in it was found necessary, not only having regard to Railway earnings but also due to the very steep drop in the cost of living, to introduce, for new entrants only to the service (*i.e.* for those engaged on and after 16th July 1931) reduced scales of pay for all non-gazetted staff. These revised scales of pay for new entrants to the subordinate service were introduced from 1st October 1934 and for labourers and inferior staff from 1st January 1935.”

64. On August 1, 1940, the number of permanent staff below Rs. 30/- per month on the Manmad scale of pay was 8,914 ; the number on the Chandwani scale was 27,109, and the number on the revised scale for new entrants was 8,202. In addition, according to witness No. 37, there were, on March 31, 1940, 8,700 temporary

employees. Temporary employees include both casual labour, paid according to the prevailing daily market rate, and others, paid according to the standard monthly rates of pay. These standard rates will now mean the rates under the revised scale.

65. The argument on behalf of the Railway Administration on the issue involved in this term of reference may be briefly put thus : The Manmad scale, having been framed in 1920, by agreement at a meeting of delegates must be regarded as having been adequate to meet the living conditions of 1920. The staff at that time accepted the scale as satisfactory and some at least regarded it as generous. In April 1920 the cost-of-living index number in Bombay City stood at 172. Even the highest figure reached since the outbreak of the present war was only 114, which is far below the figure for April 1920. Therefore there is no justification for making any addition to the Manmad scale at the present time. Similarly, the Chandwani scale introduced in April 1930 must be regarded as having been adequate to meet the living conditions of that time, when the Bombay cost-of-living figure stood at 140. There is, therefore, no justification at the present time for adding to the emoluments of those who are drawing pay on the Chandwani scale. As regards the revised scale for new entrants, although the scale was introduced in 1934 or 1935, it was based principally on the cost of living in 1931, the delay in introducing the scale being due to the fact that the working out of the details in a large organisation such as a State Railway is an enormous task and therefore took more than 3 years to complete. The average cost-of-living index number in Bombay in 1931 was 110, only one point below the average of the official figures for the 12 months since the outbreak of the war. The proposition that every rise in prices should be neutralised by a corresponding increase in wages is unacceptable, because any such doctrine would carry with it the corollary that whenever prices fell, pay should be correspondingly reduced.

66. These arguments merit careful consideration. When we speak of a particular scale of pay being adequate to the living conditions of a particular date, we mean that it was adequate to maintain the standard of life prevailing at that date at the prices then ruling. Confining ourselves for the moment to income groups below Rs. 30/- per month, let us ask ourselves, what was the standard of living amongst this group of employees in 1920 when the Manmad scale was introduced. As already mentioned, there was an enquiry into working class family budgets in Bombay during the period from May 1921 to April 1922, which is near enough to the date of the Manmad scale. Let us look at some of the facts elicited during that enquiry. At page 80 of the Report of the Enquiry (1923) we find a table showing the quantity of food consumed by families consisting of a husband, a wife and two children. There were 12 families of this kind with a monthly income below Rs. 30/-

per month ; not one of them spent any money on milk. By 1932-33 things had improved slightly in this respect ; for, at the Enquiry held in that year it was found that out of 180 families with an income of less than Rs. 30/- per month, 106 families could afford to buy some milk while the remaining 74 did not buy any. (*Vide* Exhibit E. prepared by the Bombay Labour Office). The average size of these families was between 3 and 4 members (*vide* page 8 of the Report of 1935). We may, therefore, perhaps infer that, whereas working class families of this size bought no milk in 1921-22, about 60 per cent. of them had learnt to appreciate the value of milk and were able to buy it in 1932-33. The total percentage of families in all groups consuming milk in 1921-22 was 47·7 (page 22 of the Report of the Enquiry of 1921-22), while the total percentage in 1932-33 was over 79. It will, we are sure, be readily conceded that we cannot say to the families now consuming milk, "Because you did without milk in 1921-22, there is no reason why you should have milk today ; the wages which you received then were adequate for your needs at that time and must be regarded as adequate for your needs now also." We make no apology for reproducing here the following extracts from the Interim Report of the Mixed Committee appointed by the League of Nations on the Problem of Nutrition : " * * * Milk is the nearest approach we possess to a perfect and complete food, and no other single food is known that can be used as a substitute. * * * Its value is unique and we cannot do without it. * * * Milk, it is recommended, should represent a large proportion of the diet at every age." (pages 58-59 of the Report, 1936).

67. Let us look at another aspect of the matter. At page 23 of the 1923 Report we find it stated in paragraph 33 that about 97 per cent. of the working class families then lived in single rooms and at page 8, in paragraph 13 of the same report, we find this fact mentioned as being one of the causes of the heavy mortality amongst infants in Bombay. By 1932-33 there had been a slight, though by no means considerable, improvement in this respect. Of the 1469 families whose budgets were examined in 1932-33 nearly 74 per cent. were found to be living in one-room tenements, and in no fewer than 145 cases even the one-room tenements were shared between two families. It would hardly be fair to say to the families that have been able to afford a two-room tenement, "Because in the year 1921-22 you were content to live in a one-room tenement or a portion of it, there is no reason why you should not continue to do so now, and the income which was sufficient for your needs at that time must be regarded as sufficient for your present needs".

68. Let us look at a third aspect. At page 95 of the 1923 Report; we find a table showing that of the 68 families with incomes below Rs. 30/- per month who were examined during the 1921-22 Enquiry, not one spent any money on education. It should be remembered that even where education is free, some expenditure is

necessary to buy slates, pencils, exercise-books, etc. The table at page 35 of the Report of the Enquiry of 1932-33 shows that families of this class had by then made a small beginning and were spending on an average 7 *pies* per month on education. We have reason to believe that since 1932-33 things have improved further in this respect and that some of the families are now educating not only their boys but also their girls. No one would think of saying to these families, "Because you could do without any education for your children in 1921-22, you ought to be able to do without it even now and the wages which sufficed for your requirements then must also be regarded as adequate for your needs now". In 1930, the Railway Board in their Memorandum to the Royal Commission on Labour, observed "In conclusion the Board wish to emphasize that the chief obstacle which impedes all progress is the prevailing illiteracy which operates as a serious handicap to the worker and reacts, to use the phraseology of the terms of reference of the Commission, 'on the health, efficiency and standard of living of the workers and on the relations between employers and employed.' The average labourer in India lives in a vicious circle of illiteracy, inefficiency, low wages and poor standard of living and at the root of the whole evil lies his ignorance which creates a wall of prejudice and apathy around him. Owing to illiteracy he lacks the ambition to raise his standard of living and an increase in his wages is sometimes followed by a noticeable decrease in his effort and outturn." (page 189).

69. It is perhaps needless to multiply these illustrations. Since 1921-22 there has undoubtedly been a rise in the standards of life of families with fixed money incomes, owing to the fall in prices which has occurred since that date, particularly in cereal prices. To quote once more from the Railway Board's Memorandum "The standard of living has undoubtedly increased very considerably in the last two decades. The labourer's diet is improving in quality and quantity, his clothing is more adequate and his household belongings more extensive and conducive to a greater degree of comfort. This change is probably the most hopeful sign that the worker is gradually realising the benefits to be derived from increased efficiency and improvements in his conditions of service." But even the present standards are not very high: 41 per cent. of the families earning below Rs. 30/- per month still buy no milk even for nursing mothers or for babies and 74 per cent. of the families still live in one-room tenements. In our opinion it is not possible to accept any argument which would have the result of driving back even the families that have improved their position slightly to the standards of 1921-22.

70. It is true that in war time all sections of the community, including Government servants, must submit to a reduction of standards; but there is, we submit, a point below which reduction

is hardly possible. In this inquiry we are not concerned with Government servants in general; we are only concerned with railway employees, men, that is to say, engaged on so vital a service as the main transport of the country and some of them increasingly employed on work even more directly connected with the war. In the case of such men we venture to think that it would be a mistake to compel reduced standards which must inevitably tell upon their health and efficiency, although they may have been content with these low standards 20, 10 or even 5 years ago. Writing in 1931 with reference to the various revisions of wages made since 1914, the Royal Commission on Labour in their Report said, "Although the position of railway workers generally would appear to have improved considerably in recent years, as regards both earning capacity and buying power, the Railway Board recognise that accepted standards are being raised, and what would have been regarded as satisfactory even ten years ago is no longer sufficient."

71. Of course, where the wages earned provide a margin for reduction of standards without detriment to the health or efficiency of the worker, the position is different.

72. In regard to those employees who entered service on the revised scales of pay introduced in 1934 or 1935, the argument advanced by the Railway Administration is, as we have seen, on slightly different lines. The point sought to be made in their case is not that the present cost of living is lower than the cost of living upon which the scale was based, but that the difference is not yet sufficient to justify any addition to the scale.

73. Another point sought to be made is that on the whole the revised scale of pay for new entrants is no worse, and in many instances better, than the Manmad scale which, as already mentioned, was sanctioned when the Bombay cost-of-living index stood at 172, a figure far higher than any reached since the outbreak of the war. Therefore, it is implied, the revised scale must be regarded as more than adequate for the needs of to-day.

74. The whole of this line of argument as to the adequacy of the Manmad scale or the Chandwani scale or the revised scale turns upon what we mean by adequacy. In a country where, at certain seasons of the year, labour can be obtained on a daily rate of perhaps 5 annas, a monthly wage of Rs. 14/- or Rs. 15/- (which is the maximum wage under the Chandwani scale or the revised scale in certain categories on certain sections of the railway outside the Bombay area) may in one sense be said to be more than adequate; and if, in addition, it happens to be a generously-conceived improvement upon some previous scale, it may be accepted with gratitude by the employees. Nevertheless, if the question arises whether such a wage is adequate in the sense of being sufficient to maintain

the worker with a normal family at a reasonable level of efficiency it is obvious that considerations of a different kind will arise and the answer may well be different. The fact that a man accepts a certain wage does not prove its adequacy in this sense ; he may accept it merely because he cannot get anything better. We cannot forget that we are concerned in this inquiry with a class of men whose health and efficiency are a matter of importance to the community, particularly in a time of war. In the course of our tours we had occasion to visit several Railway workshops. From the officials in charge of these workshops we heard nothing but praise for the men and the manner in which they are responding to every call made upon their energies in aid of India's war effort, often regardless of their own health and sometimes even requiring to be restrained from overwork. Doubtless, with some of them, the incentive has been the natural desire to earn more money by working overtime ; all the same we feel that for men so engaged and often working at such high pressure, no wage can be properly called adequate unless it is sufficient to maintain them in a proper state of health and efficiency.

75. We must here sound a note of caution. We have no intention in this inquiry of pronouncing upon the general question of a living wage for railway employees or for others, as we have not sufficient materials upon which to found an opinion on so large an issue. We wish we could have avoided the question altogether. But, as will appear more clearly in the sequel, in order to determine what classes of employees should be granted a dearness allowance, it is necessary for us to draw, roughly and with the aid of such materials as may be readily available, what has been called a "poverty line", between incomes that are above subsistence level and incomes that are not. For this limited purpose, no great precision is required : the amount of the dearness allowance we propose to recommend is comparatively small and even if we err in drawing the line, whether on one side or the other, the error is not likely to cause grave inconvenience. We shall, of course, endeavour to do our best with the materials at our disposal ; but further materials may show that our estimates are too high or too low. We only wish to emphasize that these estimates, necessarily diffident, are for the limited purpose of deciding at what level of income a war dearness allowance should be given at the present time and our references in this report to the "poverty line" or the "subsistence level" or the "efficiency level" are not to be construed in any larger sense. With these reservations, we proceed.

76. In a pamphlet on "Balanced Diets" (Pamphlet No. 8) issued by the Bombay Presidency Baby and Health Week Association in 1935 and described by Sir Robert McCarrison (the then Director of the Nutrition Research Laboratories in Coonoor) as accurate in detail and the best pamphlet of its kind he had ever

seen, the authors estimate the minimum cost of a balanced diet (including fuel for cooking) in Bombay City at Rs. 5/- per adult per month. This was at the wholesale prices then current in Bombay and the above monthly cost is described by them as "very nearly the minimum that can be attained in cities like Bombay" to maintain the worker "in a fairly healthy condition", which we assume to be the same thing as the cost of minimum subsistence. The early part of 1935, when the pamphlet was issued, was a comparatively cheap period in Bombay, when the cost-of-living index stood at 98 or 99. From the evidence given before us we find that wholesale prices are usually about 10 per cent. lower than retail prices, and a corresponding percentage must be added on this account. At the average pre-war retail prices, the figure works out to Rs. 5-13-0. We have seen references to later estimates which place the cost at a higher figure; but assuming for the present that the minimum cost during the year immediately preceding the war was no more than Rs. 5-13-0 per adult per month in Bombay, it follows that any income which left a worker of that city, having a normal family of 4 members to support (equivalent to, say, 3 adults or consumption units, the father counting as one unit, the mother as .8 unit and the 2 children together 1.2 units), less than about Rs. 17-8-0 per month for food and fuel cannot be called adequate, whether that income accrued to him as the result of the Manmad scale or the Chandwani scale or the revised scale. Dr. Aykroyd, the present Director of the Nutrition Research Laboratories, Coonoor, in his Health Bulletin No. 23 (1938 edition) prescribes a well-balanced and adequate diet whose cost works out to Rs. 5/- or Rs. 6/- per adult per month. His figure, therefore, leads to much the same test of adequacy as the figure in the Bombay pamphlet. It will be seen from paragraphs 92 and 95 dealing with our third term of reference that this test of adequacy substantially confirms conclusions which may be reached by another line of approach as well. Where the wage was not adequate in this sense before the war and has become less adequate since, or where it was originally adequate and has now become inadequate owing to the war, we consider that a dearness allowance should be granted so as to restore the earner as nearly as possible to his pre-war level. Not only is this policy supported by authority (see paragraph 89) but it would seem to be the obvious policy to adopt towards men engaged in a vital and increasingly important service.

77. Another defect in the Railway Administration's line of argument that because a certain scale of pay was sanctioned or accepted at a particular time it must be regarded as adequate until prices rise higher than those ruling at that time is that by applying the argument at different dates and from different points of view, we shall be led to different results. Take, for instance, an employee whom the Railway took into service in April 1935 on the revised

scale of pay for new entrants. In that month, the Bombay cost-of-living index number was 98. The fact that the Railway Administration were prepared to pay him on the revised scale proves, it may be said, that in his case the scale was not considered excessive for a cost-of-living figure of 98. That figure has increased since the war to an average of 115, as we have found; therefore, this particular employee is entitled to relief on the basis that there has been an increase in the cost of living of over 17 per cent. In fact, the same argument might be extended to all employees upon the following considerations: Owing to the financial stringency, there was an emergency cut in the pay of all railway employees from December 1, 1931; the cut was halved on April 1, 1933, and completely abolished with effect from April 1, 1935. It may, therefore, be said that the full wages then paid, on whatever scale, were not considered to be too generous for the living conditions of April 1935, when the cost-of-living index number in Bombay was 98. All the scales must therefore be now supplemented in the case of all employees to whom they apply and supplemented on the basis that the cost-of-living figure has increased from 98 to 115—i.e., by over 17 per cent., and not merely on the basis of the 11 per cent. rise which has occurred since the war. In our view this type of argument, from whichever side it may be urged, is unsound. It ignores, on the one hand, the fact that an employer may sometimes pay a generous wage well above the economic level prevailing at the time, and on the other hand, that an employee often has to accept wages well below subsistence level because they are better than nothing.

78. No one would contend that every rise in the cost of living, however small, should at all times and in all circumstances be neutralised by a corresponding increase in wages. Even in normal times, the cost-of-living index number fluctuates from month to month, and any such contention would involve a monthly revision of wage-rates which no one advocates. We believe, however, that when as the result of scarcity or of war conditions the cost of living increases beyond a certain point, it is usual for railway employees (and indeed other Government employees also) to be granted a compensatory allowance just as in times of grave financial depression, particularly when combined with a fall in prices, they may have to submit to temporary cuts in pay for the duration of the emergency. Thus Supplementary Rule 6A made by the Governor General in Council under the Fundamental Rules provides that a competent authority may sanction Grain Compensation Allowance, up to a maximum of Rs. 3/- a month, to a whole time Government servant whose pay does not exceed Rs. 30/- a month, whenever from temporary causes there is a material rise in prices above the normal in the particular locality in which the servant is employed. As far as we are aware, there is no corresponding rule providing for the reduction of pay of existing incumbents when prices fall. We, therefore, infer that the implied contract between

the parties is that when prices rise above a certain level, Government employees may expect to receive a compensatory allowance but that when prices fall their pay will not be reduced except temporarily in times of grave financial depression.

79. It is, of course, a difficult problem to determine, what should be the measure of the rise in the cost of living to justify the grant of compensation. We venture to think, however, that in the case of the lower paid railway staff a rise even of the order of 11 per cent., such as we have found to have taken place in the general cost of living since the outbreak of the war, is material and does justify relief. Even a rise of this magnitude may appear small to those who are accustomed to a high standard of comfort and who have a sufficient margin for retrenchment, but we have also to consider the point of view of the man who is not quite sure of his next supply of milk. Thus, one of the witnesses examined before us (Witness No. 11) is a gangman who now gets Rs. 20/- per month, from which is deducted a sum of Rs. 4/- under the Civil Court's orders, towards certain decretal debts. (We observe in parenthesis that deductions of this kind do not seem to be authorised by the law as it now stands.) He appears to be constantly in debt, which is an indication that his monthly expenditure probably exceeds Rs. 20/- per month. Even a rise of 1 per cent. in the cost of living would, therefore, mean, in his case, an extra expenditure of about 3 annas. He has told us that he buys only 1 pice or 2 pice worth of milk per day, although there are 4 members in his family, including a child $1\frac{1}{2}$ years old. Three annas would, therefore, represent in his case a week's or even a fortnight's milk bill. To employees of this grade even a rise of 11 per cent. in the cost of living means a reduction in their standard of living which must impair their efficiency.

80. For these reasons we find it difficult to accept the argument advanced on behalf of the Railway Administration under this term of reference. We shall indicate in a subsequent paragraph what appears to us to be the true principle to be adopted.

81. The case for granting some measure of relief may at first sight appear to be stronger in the case of new entrants on the revised scale of pay than in the case of older employees on the Manmad or the Chandwani scale. We have already tried to point out that if a certain rate of pay is inadequate to maintain the worker in a state of efficiency, it is equally inadequate whether it results from one scale or from another; but there are certain additional practical considerations which seem to us to make any discrimination between employees on different scales undesirable. For example, in the same workshop and working side by side there may be a cooly drawing perhaps Rs. 19/- per month on the Manmad scale with a service perhaps of 15 years, and an assistant workman drawing perhaps Rs. 30/- per month on the revised scale with a much shorter period of service. If the assistant workman were to be granted a

war dearness allowance and the cooly were to be granted none, there would inevitably be a sense of grievance : it would be difficult to explain to the cooly why he is denied relief while a man on higher pay and with a shorter period of service is granted an allowance. It is true that to grant the same measure of relief, *e.g.*, to a gangman drawing Rs. 17/- per month on the Chandwani scale and to another drawing Rs. 16/- per month on the revised scale would continue the existing disparity in their wages. We have to remember, however, that the object of a war dearness allowance is not to correct pre-war inequalities between one employee and another, but to secure to each employee on the poverty line that his position is not worsened by the war.

82. In our opinion there is a case for granting relief to all low paid employees within the limits which we shall try to indicate when making our recommendations ; and in coming to this conclusion we have taken into consideration not only previous movements in prices and wages, but also the rise in standards of living and the necessity of securing to men engaged in a service vital to the country's war effort that the standards which had not yet risen above efficiency level before the war shall not be lowered by reason of the increased cost of living due to the war.

CHAPTER IV.

THIRD TERM OF REFERENCE.

83. We now come to our third term of reference. In what areas and subject to what conditions should an allowance be given? We have already said that as far as we have been able to ascertain, there has been in all areas an average rise in the cost of living of about 11 per cent. to the general consumer since the outbreak of the war. The question now is how far this rise is to be neutralised by granting a war dearness allowance.

84. The arguments against what may be called full neutralisation are familiar to all. The rise in prices caused by the war is in part due to a shortage of consumable goods. If this rise is sought to be neutralised by raising wages all round, the supply of goods remaining the same as before, the result would merely be to raise prices still further, so that no person will be able to buy more goods than before. Any attempt at full and all-round neutralisation in this sense will, therefore, defeat its own purpose. Where, however, neutralisation is confined to those wage-earners who lived at or below efficiency level before the war, this argument would lose much of its force.

85. Another argument that has sometimes been urged against full neutralisation is that in a time of war every citizen must reduce his consumption of goods and no section of the community ought to claim to be put in a position which would enable them to buy the same quantity of goods as before. This argument also would not apply to persons who even before the war were consuming no more than was essential for health and efficiency. It applies only to those who were living above that level and had a margin for retrenchment. We may quote here from the *London Economist* of September 7, 1940 (page 302). "It is the *Economist's* contention that the general lowering of the standard of living made necessary by war should be accompanied by the establishment of a minimum standard of living below which no individual would be allowed to fall."

86. A third argument, bearing specially on wage-increases on State Railways, may be put thus: An addition to wages may mean heavier taxation in some form or other in order to find the necessary money, *e.g.*, raising Railway freights on food-grains. This in its turn may raise prices once again and this further rise would then necessitate a further increase of wages, and so on in an endless spiral. This is a moot point upon which we do not venture to express any opinion; but we have made our recommendations as modest as possible so as to minimise the effect on general revenues and to avoid any risk of a continuous rise of prices and wages.

87. A fourth argument is that the cost-of-living index number is subject to fluctuations even in ordinary times and that as these do not entitle the worker to demand a rise in wages, there is no reason why war fluctuations should do so except to the extent that they exceed the normal fluctuations of peace time. In other words, there is no justification for neutralising in full the rise of 11 points that has occurred since the war. We have already endeavoured to meet this argument. Here we would only add that the unimpaired efficiency of the men with whom this inquiry is concerned and a good many of whom are now engaged upon work directly connected with the prosecution of the war, is a matter of more than ordinary importance in war time.

88. Finally, it may be said that the large fall in the cost of living since 1920 and even since 1930 must have enabled the worker earning wages on the scales fixed in those years to accumulate reserves sufficient to neutralise at least a part of the present rise. On this point we need only refer once more to the report of the Royal Commission on Labour who, after reviewing the various wage-revisions since 1914 concluded with the observation, "We recommend therefore that the claims of low-paid workers to improved wage standards should continue to receive careful consideration from the Railway Board and the administrations concerned" (page 150). Evidently, then, even the Chandwani scale left room for improvement in the lower categories; then came the revised scale for new entrants, which, where it applied, reduced the maximum pay in almost all the categories. In addition, there was a small emergency cut in wages between December 1, 1931 and March 31, 1935. It is therefore difficult to assert that the low-paid worker must have accumulated any reserves; indeed, the great majority of workers of this class whom we saw in the course of our tours were in debt. We do not therefore think that this argument can apply to the lower categories of the employees with whom the present inquiry is concerned.

89. Except perhaps for the considerations mentioned in paragraph 86 we are in fact not aware of any valid argument against full neutralisation limited to those who just before the war were living at or below efficiency or subsistence level. We use these terms in the same sense, subsistence meaning subsistence on the minimum standard necessary to maintain "health and working capacity". [We quote the phrase from the terms of reference of the Committee appointed in 1932 by the British Medical Association "To determine the minimum weekly expenditure which must be incurred by families of varying size if health and working capacity are to be maintained and to construct specimen diets".] Our attention has been drawn in this connection to a much-quoted article in the London "Economist", dated January 20, 1940, in which the writer puts the matter thus: "The first principle of

wage policy in wartime must inevitably be that enunciated by the Prime Minister. Any attempt to raise all wage-rates in proportion to the rise in the cost of living must be self-defeating. But there should be a second principle also; no one whose wages provide no margin over the cost of minimum subsistence must be pushed below that level by the rise in prices. These should be the limiting factors; on the one hand, no general adjustment to the cost of living; on the other hand, no refusal to help those already on the poverty line". The writer then refers to certain practical suggestions that have emerged from current discussions and proceeds:— "One that is of particular importance in the main strategy of the price problem is that wage increases should not come into play until the cost of living has risen above its minimum by more than a certain minimum number of points. Much the greater part of the rise in the cost of living in the first four months of war was due to the non-recurrent effects of the change from peace to war. If this rise is faithfully followed by wages, then the vicious spiral will be inevitable; if it is largely ignored, the vicious spiral will never begin. The official figure stood at 155 (July 1914=100) on August 1st and at 173 on December 1st. For the purposes of wage negotiations the datum line might be taken at 165, and only rises above this point should be taken into account. The equity of this proposal lies in the fact that the British wage-earner has enjoyed an enormous uncovenanted benefit, in the past decade, from the fall in the cost of living; its expediency lies in the hope it would hold out of avoiding the start of a continuous rise.

"Beyond this point, the problem is to protect those whose incomes are nearest the minimum, without attempting to maintain the consumption of those who have a margin to spare. This would suggest that the proper method of making allowance for the rise in the cost of living would not be to alter the basic rates of wages, but to give every employee a flat-rate cash bonus, whose amount would be the same whatever the rate of wages. This bonus should be calculated to offset the rise in the cost of living on a minimum subsistence wage. Thus if the rise in the cost of living above the datum line were 10 per cent., and the minimum subsistence wage in August last were adjudged to have been 40s. then the flat rate bonus should, on this calculation, be 4s."

90. We accept the conclusions of the writer of the article subject to the observation that so far as the low-paid employees on the G. I. P. Railway are concerned, it would be difficult to say that they accumulated any reserves in consequence of the fall in the cost of living in the past decade (see paragraph 88). Such benefit as they derived from it was, we believe, exhausted in reducing their previous debt and in improving their standard of living slightly, *e.g.*, by buying a little milk for their children where they previously bought none. Therefore, the "datum line" for them should not perhaps

differ much from the actual cost-of-living figure on this ground. We shall accordingly adopt the principle that for this class of workers neutralisation should be as full as the considerations set out in paragraph 86 permit.

91. The problem now arises of deciding who are the employees whose pre-war wages were already on or below the poverty line. This is a difficult question which we approach with great diffidence. We are aware that it is impossible to isolate any particular class of wages as being on the subsistence line irrespective of the family responsibilities of the individual wage-earner, and have taken this factor into account in the analysis which follows. Absolute precision in this matter is obviously impossible to attain; we have to do the best we can with the materials available to us. At page 16 of the Report of 1935 on the Enquiry into working class Family Budgets in Bombay City held in 1932-33, there is a statement of the average monthly income and expenditure of various working class families by income-groups. From that statement we find that in the income-group below Rs. 30/-, the average monthly income was Rs. 25-3-8 and the average monthly expenditure was Rs. 27-9-7. In other words, there was an average monthly deficit of more than Rs. 2/- in the family budgets of this group. It must be remembered that the average number of persons in the family was 3.15 or, if dependants living away from the family are included, 3.35 (*vide* page 8 of the Report). The deficit cannot, therefore, be attributed to the excessive size of the family. It must further be noted that the expenditure did not include such items as interest on loans, expenditure on festivals, marriages, etc. The fact that the average family in this group was nevertheless unable to balance its budget, is therefore probably an indication that the group is below the poverty line.

92. The same inference emerges from another consideration. We have already seen that the minimum cost of food and fuel for a family of 4 (equivalent to 3 adults or consumption units) at the wholesale rates ruling in Bombay in the early part of 1935 was Rs. 15/- per month. Adding to this 10 per cent. on account of the difference between wholesale and retail prices, we get Rs. 16-8. The average cost-of-living index in Bombay during the period from September 1932 to June 1933, when the above Family Budget Enquiry was held, was 106 against 98 in the early part of 1935. Therefore, an expenditure of Rs. 16-8 in the early part of 1935 would correspond to Rs. 17-13 in 1932-33 *. This was for a family of 4 members or 3 consumption units, whereas the average size of the family in the income-group below Rs. 30/-, studied during the above Enquiry, was 3.15, equivalent to about 2.7 consumption units.

*If we take the index figures for the food and fuel groups only instead of the figures for the whole index, the expenditure in 1932-33 will work out to Rs. 18-1-0.

(The exact equivalent cannot be worked out in the absence of information as to the ages of the children in the table at page 8 of the Report of the Enquiry. Assuming the ages to be between 9 and 12 years, each child would count as .8 unit and the entire family of 3.15 persons would be equivalent to 2.7 consumption units.) The proportionate cost for such a family on the basis of the consumption units would work out to about Rs. 16/-. We find from the figures at page 17 of the Report of the Enquiry that the average family in this group spent Rs. 12-9-5 per month on food and Rs. 2-4-7 on fuel and lighting. The expenditure on fuel alone may be taken as about $\frac{4}{5}$ ths of the combined expenditure on fuel and lighting [78 per cent., judging from the weights of the several items in the fuel and lighting group in the Bombay Labour Gazette figures relating to the Bombay cost-of-living index]. On this basis, the expenditure of the above family on food and fuel works out to Rs. 14-8-0 against Rs. 16/- necessary for the minimum balanced diet. We may, therefore, perhaps infer that the families in the income-group below Rs. 30/- were living in 1932-33 below subsistence level. Prices during the 12 months preceding the war were only about 2 per cent. lower than in September 1932—June 1933.

93. Turning to the next group of families studied during the Enquiry of 1932-33, namely those earning between Rs. 30/- and Rs. 40/- per month, we find that the average monthly income of the families was Rs. 34-3-3 and the average monthly expenditure Rs. 34-11-7. Once again, therefore, the average family in this group, as in the previous group, was finding it impossible to balance its budget. Its expenditure on food and fuel was Rs. 16-0-3 + $\frac{4}{5}$ ths of Rs. 2-9-8 or about Rs. 18/- in all. The average size of the family in consumption units was about the same as in the previous group, so that the family was spending Rs. 18/- on food and fuel against Rs. 16/- necessary for the minimum balanced diet. These facts probably justify the inference that the lower sections of this group of families, though slightly better off than the previous group, were nevertheless living on a standard hardly above subsistence level.

94. The families in the income groups above Rs. 40/- examined during the Enquiry of 1932-33 were on the average able to balance their budgets and moreover their expenditure on food and fuel appears to have been distinctly above the minimum that we have adopted. We may, therefore, perhaps conclude that these families had a slight margin for retrenchment, the margin increasing as we go up the scale. We shall have something more to say about the income-group between Rs. 40/- and Rs. 50/- per month in paragraph 97.

95. Another way of looking at the matter leads to similar results. We have seen that the minimum cost on account of food and fuel in a family of 3 consumption units in Bombay at the retail prices of the early part of 1935 was Rs. 16-8-0. The average cost-of-

living figure in Bombay during the 12 months preceding the outbreak of the war was, it will be remembered, 104 as compared with 98 in the early part of 1935. Therefore, an expenditure of Rs. 16-8-0 in the early part of 1935 would be equivalent to Rs. $16-8 \times 104/98$ or about Rs. 17-8-0, in the latter period*. Now the expenditure on food and fuel has a weightage of about 52 and should therefore be about 52 per cent. of the total monthly expenditure of the average family. It follows that a family, in order to be able to spend Rs. 17-8-0 on food and fuel, must be able to afford a total monthly expenditure of Rs. $17-8 \times 100/52$ or between Rs. 33/- and Rs. 34/-. This calculation assumes that the proportion of the expenditure on requirements other than food and fuel (48 per cent.) in the average family budget of the income-group between Rs. 30/- and Rs. 40/- per month will not bear any reduction. We have examined the budget carefully and have been unable to discover any room for reduction except possibly in the expenditure under liquor and toddy, but against this must be set the fact that the budget does not include such necessary items as interest on debt. It will be seen from the statement at page 31 of the Report of the Enquiry of 1932-33 that the average indebtedness of all the families surveyed was Rs. 130/-, the interest on which at the lowest rate mentioned at page 33 of the Report would be about Rs. 2/- per month. This exceeds the average expenditure on liquor and toddy (Rs. 1-10-3) shown at page 28. Consequently a Bombay family whose average income during the 12 months preceding the outbreak of the war was less than Rs. 33/- or Rs. 34/- must have been living below the level necessary to secure the minimum balanced diet.

96. We have already stated that absolute precision in this matter is not possible, but the considerations which we have set out above would appear to justify the conclusion that in the City of Bombay families of average size whose pre-war monthly income was less than Rs. 35/- would have had no margin for retrenchment.

97. The case of the income-group between Rs. 40/- and Rs. 50/- in Bombay needs some further investigation. It may be said that although the average family in this group had a certain margin above the cost of minimum subsistence in 1932-33, that margin has been more than wiped out by the increased cost of living since the war. Let us examine this point. The expenditure of the average family in this group in 1932-33 was Rs. 41-9-1 per month against an income of Rs. 43-4-3 (page 16 of the Report of the Enquiry of 1932-33). The average cost-of-living index during the 12 months following the outbreak of the war was, as we have found, 115 in Bombay (*i.e.*, 11 per cent. over the pre-war average figure of 104) against 106 in the relevant period of 1932-33—an increase of about

*If we take the index figures for the food and fuel groups only instead of the figures for the general index, the expenditure in the pre-war year will work out to Rs. 18-4-0.

9 per cent. If we add 9 per cent. to Rs. 41-9-1, we get about Rs. 45-5-0 which would exceed the income. Therefore, in order to continue to balance its budget, the family would have to reduce its standard slightly. We think that it can do this without touching its expenditure on food, house-rent, clothing, or fuel and lighting; for, under the head "Miscellaneous", its average monthly expenditure was Rs. 10-6-6 (*vide* page 17 of the Report of the Enquiry). If in this category of expenditure the family could reduce its standard to that of the income-group just below, namely, the income-group between Rs. 30/- and Rs. 40/-, the expenditure would drop from Rs. 10-6-6 to Rs. 7-14-11 or, allowing for the slightly larger number of consumption units (3 against 2·8 from the statement at page 8 of the Report of the Enquiry) to Rs. 8-7-6, so that the total expenditure under all heads would drop from Rs. 41-9-1 to about Rs. 39-10-0. Adding 9 per cent. to this on account of the increased cost of living as found above, we get about Rs. 43-4-0, which is just less than the average monthly income. Thus, the family can just balance its budget by a slight reduction of standards on miscellaneous expenditure. But the balance will be upset even by a slight further rise of prices, in which event this group also may need relief. In the income-groups above Rs. 50/-, the position is easier, and the average family should, on the figures at page 16 of the Report of the Enquiry of 1932-33, be able to balance its budget without any reduction of pre-war standards.

98. For places outside Bombay, our materials are scantier. There was an enquiry into the family budgets of cotton mill workers in Sholapur during the period from May to December 1925. It was then found that the average family in the group earning between Rs. 20/- and Rs. 30/- per month had an income of Rs. 25-7-7 and spent Rs. 26-12-3; in the next higher group, the monthly income was Rs. 35-2-2 and expenditure Rs. 34-1-11. The figures of expenditure include interest-payments on debts. The families were larger than the corresponding Bombay families studied in 1932-33, but the number of members was below 5, so that the size was not excessive. In the absence of any further information, we may perhaps conclude that in places outside Bombay, those whose income in 1925-26 was less than Rs. 27/- per month had no margin for reduction of expenditure. This would, of course, be much less at 1938-39 prices, if we do not take into account changes in the standard of living; but if we do take them into account, then, on the analogy of the Bombay figures between 1921-22 and 1932-33, the level would remain much the same, *i.e.*, Rs. 27/-. We have roughly calculated the cost at pre-war Sholapur and Nagpur prices of the minimum balanced diet of Dr. Aykroyd mentioned in paragraph 76 and have found that it works out to about Rs. 5/- per adult per month. On this basis, bearing in mind that house-rent costs less in Sholapur and Nagpur than in Bombay, it seems that subsistence level is in the neighbourhood of Rs. 30/- per month in these two places.

We therefore take Rs. 30/- as representing subsistence level in urban areas outside Bombay for a family of 4 or 5 members.

99. It is obviously impossible to treat all areas outside Bombay as urban for this purpose. Just as the cost of living at Nagpur or Sholapur is lower than that at Bombay, there must be rural or semi-rural areas where it is less than that at Nagpur or Sholapur. It would be unreasonable to hold that subsistence level at villages on the railway line is the same as, say, at Poona merely on the ground that both are outside the Bombay area.

100. The existence of more than two levels is also indicated by the prevailing scales of pay on the G. I. P. Railway (*vide* Appendix K to the Railway case). The explanatory note to Appendix K shows 5 different zones for each of which there is a separate rate of pay. Zone (a) of the note corresponds to what we have called the Bombay area, the subsistence level of which we have found to be Rs. 35/- per month. The difference in the rates for the 3 cheapest zones is small and on the basis of the maximum rates of pay for these zones as compared with the corresponding maximum rates for zone (a), the subsistence level for them works out to about Rs. 25/- per month. On a similar basis, the subsistence level for zone (b), which includes Poona and the Ghats is in the neighbourhood of Rs. 30/- per month.

101. We advocate therefore the adoption of 3 subsistence levels : (1) the Bombay level of Rs. 35/- per month which applies to the section from Bombay to Kalyan (inclusive), (2) the urban level of Rs. 30/- per month which applies to the sections from Kalyan to Poona (inclusive) and Igatpuri (inclusive) and (3) the rural or semi-rural level of Rs. 25/- per month applying to the remaining sections, with certain exceptions. In our view the urban level should apply to any town with a population of not less than 20,000 (according to the census of 1931), to the Railway settlements at Manmad, Bhusaval and Dhond, and to any other area that the Railway Administration may think fit to classify as urban for this purpose. We have already recommended that this level should apply to the Ghats.

102. We need hardly repeat the caution that these estimates are only for the limited purposes of the present inquiry and are not meant to lay down a general living wage for all purposes.

103. We are well aware that the estimates which we are adopting even for the limited purposes of the present inquiry, are open to criticism. On the one hand, they may be criticised as too high on the ground, amongst others, that they do not take account of the value of certain concessions such as uniforms or blankets, nor of possible savings in the expenditure on liquor and toddy, nor of the fact that the cost of feeding 3 adults or consumption units may

be less than 3 times the cost of feeding one. On the other hand, they may be criticised as too low on the ground that they leave out of account the more recent expressions of medical opinion on the food requirements of working class families, as also interest-payments on account of debt (in Bombay), expenditure on festivals, marriages, etc. To some extent these omissions cancel each other; but in any case the factors involved are not all easy to evaluate, and it is difficult to say whether on balance they make any difference to our estimates.

104. We now come to our specific recommendations. In making these, we have taken into consideration the following, amongst other factors :—

- (1) The increase of 11 per cent. in the cost of living of the general consumer, which on our findings has occurred since the outbreak of the war.
- (2) The additional increase in the budgets of the lowest-paid employees to which we have referred in paragraph 45.
- (3) The additional increase which must have occurred in the case of those who were living on the margin of solvency just before the war and to which we have referred in paragraph 52 of this Report.
- (4) The need for reducing to a minimum the burden on general revenues to which we have referred in paragraph 86.
- (5) The relief likely to result from the opening of cost-price grain shops for railway employees.
- (6) The advantages, in simplicity and uniformity, of a flat rate cash bonus rather than one varying from employee to employee or even from one group of employees to another.

Bearing all these considerations in mind we would recommend the grant of a dearness allowance at the following rates :—

In each area, to all whole-time adult employees whose earnings, including pay and allowances and the value of the free housing concession, if any, but not including overtime, do not exceed the subsistence level for that area, Rs. 3/- per month.

In each case a marginal adjustment will be necessary so as to avoid placing those earning Rs. 25/- or Rs. 30/- or Rs. 35/- per month, as the case may be, in a better position than those who are earning a little more and who would not be entitled to any relief under this

scheme. We shall, therefore, have to supplement the above proposals thus :—

In each area, to all whole-time adult employees whose earnings exceed the subsistence level for that area by an amount less than Rs. 3/-, an allowance equal to the difference between that amount and Rs. 3/-.

The rates we have recommended above are meant to apply only to adult employees that is to say, employees who have completed their 17th year. To those who have not completed their 17th year, we recommend half the above rates. By "overtime" we mean "overtime allowance" or "special overtime allowance" as defined in Chapter V of the State Railway Establishment Code, 1940, Volume I. Where an employee is entitled both to grain compensation allowance under the existing rules and a dearness allowance under the present scheme, he will be allowed only the larger of the two sums.

The effect of the marginal adjustment is, it will be seen, to extend some measure of relief to the lower strata of the income-groups between Rs. 35/- and Rs. 40/- in Bombay, Rs. 30/- and Rs. 33/- in urban areas outside Bombay, and Rs. 25/- and Rs. 28/- elsewhere. This would mitigate any hardship that might be caused by too strict an adherence to the subsistence level rule. In addition, we would propose that the General Manager be given power to deal with any cases of special hardship.

We also recommend that the allowances be given with effect from October 1, 1940, that is to say, as an addition to the pay or wages for September 1940 and the succeeding months, so as to avoid any further delay in neutralisation. It will probably be found to be administratively convenient, for the purpose of deciding who is eligible for the allowance, to take as the criterion his earnings for the month immediately preceding the date on which the scheme is sanctioned.

105. We think that overtime should be excluded from the definition of pay for deciding the limits of allowance, because overtime pay is earned for extra work and extra strain, which in turn mean that more energy-providing food is necessary, and a more nourishing diet. There may in addition be extra wear and tear on clothes, and a workman may have to travel to and from his home by tram or bus instead of walking. Therefore there is a corresponding set off to be made against the additional pay earned by working overtime, and we feel that the simplest course is to exclude it altogether. We have left out of account concessions other than free housing, such as, free clothing (uniforms or blankets or umbrellas) medical facilities, school subsidies, etc., because they are

difficult to evaluate, although their total cost to the railway is not negligible. A list of these concessions as supplied by the Railway will be found in Appendix XIV to this Report.

106. We have referred to the opening of cost-price grain shops for railway employees. We understand that during the war of 1914-18, such shops were opened at convenient junctions and that railway employees were given free "provision-passes" to travel to and from these junctions for the purpose of buying provisions. To the best of our information, these shops were successful and afforded a certain measure of relief to railway employees. They may, of course, be open to objection on the ground that they interfere with private enterprise; at the same time it cannot be denied that they would operate as a useful check on profiteering, particularly in the remoter places in the interior of the country. In fact it was urged before us in another connection that the cost of living has tended to increase more in the rural areas than in the cities because of the absence of competition and the difficulties of price control in out-of-the-way places. We would, therefore, recommend that the question of opening such shops at the present time be sympathetically considered. Grain can be bought at wholesale rates for sale at these shops and even if freight at the usual rates is charged, they would probably have the effect of bringing down the cost of living by 2 or 3 per cent.

107. We have carefully considered whether there should be a single flat rate of compensation for all the employees included in our recommendations or whether there should be different rates at different levels of income. As already indicated, simplicity and uniformity would dictate a single flat rate for all. This would, however, mean a much larger percentage increase of remuneration in the lower income-groups than in the higher. Thus, in the case of a worker who now gets Rs. 15/- per month, an addition of Rs. 3/- would mean a 20 per cent. increase of wages, although we have found that the increase in the cost of living since the outbreak of the war has been only about 11 per cent. to the general consumer. We have, however, to remember that although the worker's income may be Rs. 15/- per month, his pre-war expenditure must have been much more than Rs. 15/-, this class of earner being a good deal below the poverty line. The 11 per cent. rise must be applied not to the income but to the expenditure. Where the wage-earner gets free housing, free clothing, etc., either the value of these concessions must be included in his expenditure (and his income) and the 11 per cent. rise applied to the total expenditure so reckoned, or else, a rise of about 15 per cent. must be applied to the expenditure excluding the value of the concessions (see paragraph 45 above). In the second place, we are entitled to take into consideration the fact that apart from the rise in the cost of living to the general consumer, there has been an additional rise (referred to in paragraph 52

of this Report) to those living on the margin of solvency, this additional rise being relatively greater at the bottom of the scale than higher up. We may also mention that the existing grain compensation allowance on this Railway has, in certain conditions of scarcity, been at the uniform rate of Rs. 3/- per month for employees on pay exceeding Rs. 16/-, but not exceeding Rs. 30/- per month, while for those on pay not exceeding Rs. 16/- per month, the allowance has been at the rate of Rs. 1-8-0 per month. We believe that the proportion of employees who now draw Rs. 16/- or less per month is not large, so that in its operation as between the various grades of employees now in railway service the scale of allowance that we have recommended is similar to the grain compensation allowance already in force ; that is to say, it treats a man at the bottom much more favourably than at the top. If, in complete analogy to the grain compensation allowance, we were to recommend a lower rate of compensation than Rs. 3/- to employees drawing not more than Rs. 16/- per month, they would find it difficult to understand why men on higher pay and presumably better off were being given more than themselves. The principle, sometimes adopted of granting a dearness allowance at a fixed percentage of the *income* is equally open to criticism : it gives more to those who have already more and ignores the fact that the increase in the cost of living, which the allowance is meant to neutralise, is greater in the lower income-groups than in the higher. For all these reasons we have thought it best to have one uniform flat rate for all employees.

108. It has been contended before us on behalf of the Railway Administration that no dearness allowance ought to be given to those employees who, whatever their pay, entered service after the outbreak of the war, because they knew, or ought to have known, that the war was likely to send up prices. Their position, it is argued, cannot be said to have been worsened by the war. In theory this may be so ; but the effect of the argument would be that even those new recruits who earn no more than Rs. 12/- per month will get no relief. It is true that their position cannot be said to have been worsened by the outbreak of the war, the war having broken out before they entered service ; but it has been worsened, at least for some of them by the continuance of the war and the further rise of prices since they joined. It would, to say the least, be a needless complication to separate the new entrants into (a) those who joined between September and November 1939 when the cost of living was lower than it is now, (b) those who joined in December 1939 and January or February 1940, when it was not lower than at present, (c) those who joined between March and June 1940, when it was again lower, etc., and to direct that while relief may be given at varying rates to classes (a) and (c), none should be given to (b). We believe that when allowances were given during the war of 1914-18, there was no discrimination

between those who entered service before and those entered after the outbreak of the war. For these reasons, we are unable to recommend any discrimination of this kind.

108A. It will be seen that in framing our recommendations we have confined relief to those classes of workers for whom on our calculations relief is imperatively needed, and have not extended relief to any class beyond the present "poverty line". We realise that there are classes above the poverty line who are put to considerable hardship as a result of the increased cost of living and that in addition to using up any available surplus they may have, they may also have to reduce their standard of living to some extent. We believe that we are justified in adopting this course on the basis of the arguments we have already set out. To extend relief further might have meant giving less to those below. In an article in the *Economic Journal* (of the Royal Economic Society, London) for December 1939, dealing with the problems of wage policy in war time, an eminent economist has suggested that "if the present emergency requires a reduction of working class standards of consumption, a further diminution of the ratio of skilled to unskilled rates may help to achieve it with the least hardship". We take this to mean that those on unskilled rates should be given first consideration in any proper scheme of relief, and this is what we have attempted to do.

CHAPTER V.

FOURTH TERM OF REFERENCE.

109. We now turn to our last term of reference. How should the allowances, if any, be regulated if in future the cost of living should rise or fall? There is one initial difficulty in dealing with this question. It is obvious from what we have said in the foregoing paragraphs that if the cost of living should increase in any considerable degree, some of the higher income-groups may have to be included in the scheme of relief, although in their case there is room for some measure of economy by substitution of cheaper but not less nutritious articles of food for the dearer. We have also to bear in mind the possibility, in these higher groups, of there being more than one earner entitled to a war allowance. To what extent the inclusion of higher groups will be necessary will depend upon the measure of the rise; if our calculations are correct, the income-group between Rs. 40/- and Rs. 50/- per month is even now only just above the need for relief. We cannot think of any simple formula which will indicate what income-groups will need relief at a particular cost-of-living level, although it may be possible to prepare a rough table for this purpose from the data available in the various family budget enquiry reports. We have endeavoured to draw up such a table [Appendix XIII]. We have not thought it necessary, in the table, to provide for increases in the cost-of-living index of more than 10 per cent. over the present level, which, as we have seen, is already about 11 per cent. higher than the pre-war average. We assume that every endeavour will be made to keep prices from soaring too high by one or other of the usual methods of sterilising the excess purchasing power of the community, besides the checking of profiteering. Cases have been brought to our notice in which prices have been charged in excess of the prescribed maxima. We would, therefore, strongly emphasize the continued need for strict price control, especially in the remoter places in the interior.

110. A second difficulty arises from the fact that we have not been empowered in this inquiry, as we read the terms of reference, to examine the question of the Railway's "capacity to pay", possibly because that would have involved technical issues of great complexity. We have not therefore had occasion to examine the question fully and although we are aware of certain published figures of Railway earnings in the past few months, we are in no position even to conjecture how those figures may vary in the years to come. Possibly no one can predict their future course with any degree of assurance. Our recommendations for the future regulation of the dearness allowance must therefore be necessarily subject to an unknown factor.

111. There is another difficulty which we must mention. None of the cost-of-living index figures at present available are entirely satisfactory. The Bombay figure, which in most respects is above criticism, is not quite up to date in certain items, and although the Bombay Labour Office has been doing its best to bring it up to date, the difficulties have so far proved insuperable and the defect still remains. Knowing how much care and thought the Bombay Labour Office bestows on the preparation of its figures, we should be surprised if the cost-of-living figures prepared at other centres were less open to criticism. The first requisite for any satisfactory revision of the allowances that we have recommended is the preparation of up-to-date cost-of-living index figures for 3 distinct classes of areas, city, urban and rural. (*Vide* paragraph 101.) We would accordingly recommend that the question of preparing and maintaining such figures for the purposes of the Central Government be considered by the Government of India.

112. Both parties before us have asked that any allowances that we may recommend should not be revised at too frequent intervals nor for every change in the cost-of-living index figure. In the Australian Federal Arbitration Court Awards it is, we believe, now usual to provide for a quarterly revision of wages for the purpose of adjusting them to the cost of living and this is also the case on English Railways under the National Agreement of March 20, 1920. Following these precedents, we would recommend a revision every three months. We would also recommend that, as on English Railways, no change should be made in the allowance in force during any quarter until the cost-of-living index figure falls or rises by full 5 points. We have carefully considered what should be the figure upon which the revised allowance for each quarter should be based. Should it be the average of the cost-of-living index numbers for the previous month (Cawnpore has weekly figures) or the previous quarter, or the previous 6 months, or the previous 12 months? At one time the Australian Federal Arbitration Court used to adopt the 12-monthly average, but in 1922 it appears to have adopted the average of the previous quarter, the Deputy President of the Court observing that he could see no more just and equitable method of dealing with the problem than by adopting a scheme of quarterly adjustments in accordance with the fluctuations in the cost of living during the previous quarter. We have, therefore, adopted the average cost-of-living number of the previous quarter as the criterion for revision. Further details will appear from the Table in Appendix XIII.

113. In addition to the recommendations we have already made, we would suggest that the railway authorities consider the feasibility of issuing milk free or at reduced rates to the children

of the lower paid railway employees at convenient centres. In support of the suggestion we reproduce below a tabular statement which the Bombay Labour Office kindly prepared for us :—

BOMBAY CITY.

Number of families which reported expenditure on milk in the course of the Bombay Working Class Family Budget Enquiry, 1932-33.

Income-groups.	No. of families spending on milk.	No. of families not spending on milk.	Total No. of families.	Percentage of column 3 to column 4.
(1)	(2)	(3)	(4)	(5)
Below Rs. 30 . . .	106	74	180	41.11
Rs. 30 & below Rs. 40 . .	234	63	297	21.21
Rs. 40 & below Rs. 50 . .	311	74	385	19.22
Rs. 50 & below Rs. 60 . .	204	35	239	14.64
Rs. 60 & below Rs. 70 . .	123	21*	147	14.29
Rs. 70 & below Rs. 80 . .	66	11	77	14.29
Rs. 80 & below Rs. 90 . .	46	11*	60	18.33
Rs. 90 & over . . .	74	10	84	11.91
Total . . .	1,164	299†	1,469	20.35

*Excluding three cases in which the details were imperfectly specified.

†Excluding six cases in which the details were imperfectly specified.

We see no reason for not taking these figures at their face value. It is, we believe, the rule in constructing the budgets of families keeping their own cows or getting gifts of milk in kind, to include the value of the milk consumed both in the income and in the expenditure (see, for example, page 76 of "A Scheme for an Economic Survey of India" by Dr. Bowley and Mr. Robertson, 1934). Moreover, it is not likely that working class families in Bombay City living for the most part in one-room tenements could keep cows. It follows that the absence of any expenditure on milk in the case of a number of families in the above statement must be taken as showing that they consumed none. We are, therefore, led to conclude that over 20 per cent. of the families surveyed in 1932-33 consumed no milk, the percentage being as high as 41 in the group earning less than Rs. 30/- per month. The percentage drops steadily as the income rises except in the group between Rs. 80/- and Rs. 90/-, which shows an abrupt rise. This is probably due to the fact that of the 60 families studied in

this group, only 13 were "natural families", the other 47 being "joint households" (see page 6 of the Report of the Enquiry of 1932-33). In other words, the typical family of this group was not really a single family but probably consisted of 2 families, each belonging to the Rs. 40-50 group, and living to some extent according to the standards of that group. This perhaps explains why the milk consumption standard in these 2 groups is nearly the same and is lower than that of the groups between Rs. 50/- and Rs. 80/-.

The fact that this standard rises steadily with the monthly income of the family is an indication that the poor standard observed in the lower groups is due mainly to lack of purchasing power.

114. We have not lost sight of the fact that while the average expenditure on milk of all the families surveyed was Rs. 1-3-9 per month, the average expenditure on liquor and toddy was Rs. 1-11-3 per month, and that the number of families consuming liquor was 1,165 (see page 28 of the Report of the Enquiry of 1932-33) against 1,164 consuming milk. What this means is that some families, not having enough money to buy both liquor and milk, preferred to buy liquor and go without milk. In other words, the unsatisfactory standard of milk consumption must be attributed not only to poverty but also to associated causes, such as, ignorance and sordid surroundings, as in the case of the Manchester operative who said that he got drunk regularly because "it was the shortest way out of Manchester". (Page 33 "Working Class Budgets—Bombay, 1923"). Clearly, therefore, the only certain means of securing that the children of these families get enough milk is not by paying cash, which may be mis-spent, but by issuing milk, preferably to the children themselves through the agency of welfare centres. There are already 3 Infant Welfare and Maternity Centres on the G. I. P. Railway at Bhusaval, Manmad and Jhansi, upon which, in the year 1939-40, there was spent a sum of about Rs. 16,000 out of the Railway Staff Benefit Fund. We notice from the accounts for the year 1939-40 that Railway revenues contributed about Rs. 46,000 to this Fund. If to the other activities of these centres there is added the free or half-free issue of milk to the children of the lower paid railway employees, not only would the children be benefited, but the attendance at the centres would also increase. The suggestion would involve a larger contribution to the Staff Benefit Fund from Railway revenues, but the experiment appears to be worth trying.

115. One of the results of this inquiry has been to show to us that the dispute between the two parties is of the rare kind in which both are in the right. The paradox can be explained in a few words. Take 2 workers, one of whom gets Rs. 30/- per month, out

of which he spends Rs. 10/- per month on house-rent and the remaining Rs. 20/- on food, and the other gets free housing together with Rs. 20/- per month, the whole of which he spends on food. If food prices alone rise, but not rents, and the food bill of each increases by Rs. 3/- per month, what is the effect? The total monthly expenditure of the first worker being Rs. 30/- per month, the three-rupee rise represents an increase of 10 per cent. in his cost of living, while to the second worker, whose total cash expenditure is Rs. 20/-, the same rise represents an increase of 15 per cent. If, in addition, it so happens that the second worker has no reserves of any kind with which to meet his increased bill, he will find after some months that his grocer, by way of interest on the accumulated arrears, charges him higher prices, so that there is a further increase of perhaps 5 per cent. in his cost of living. In such a situation the official cost-of-living index number in most places, being based on budgets of the first type, will show an increase of 10 per cent. while those who have in mind the budget of the lowest paid railway employee, which is of the second type, will maintain that the increase is 20 per cent. Both would be right, each for a certain type of budget, and this, broadly speaking, is what appears to have happened in the present instance.

116. We have made our recommendations as modest as possible so that relief, where it is imperatively needed, may be given in the full measure recommended. To some it may seem that they go too far; to others that they do not go far enough. To the former we would say that in the new order which is fast marching upon us, the standards of the past, however generous in origin, must be abandoned if they are no longer enough. To the latter we would point out that when there is less for everybody, the necessities of the poorest workers must come first and last and all the time, for it is among them that the nation dwells.

117. We thank the Railway Administration for granting us various facilities, and giving us the fullest possible information to aid us in our inquiry. Our requests for information must at times have caused a great deal of extra labour, but everyone in the Administration did his utmost to procure information, answer our questions, and see that we were given every opportunity to ascertain the facts. We wish to thank especially the General Manager and Mr. W. T. Griffiths, officer on special duty, who worked very hard to see that the materials placed before us were complete, accurate and prompt. He was always available and willing to explain to us any points that arose out of the evidence, or our tours on the railway, or from the Railway case.

We would also place on record our appreciation of the fairness and fulness with which the case on behalf of the Federation was conducted and argued. The care which those in charge took in

sifting the material and in putting before us only what was of real value saved us much time and trouble.

We must thank those witnesses who came at considerable personal inconvenience and possible expense, and gave us full details of their daily and monthly expenditure. In many cases they could not expect that our recommendation would include their own income levels, and so their willingness to give evidence was not due to the hope that they would personally benefit. None of the railway servants who gave evidence claimed any diet money; they received free passes from the railway administration and were treated as being on duty, but otherwise paid their own expenses.

We wish to thank, among many who gave us assistance, the staff of the Bombay Labour Office, particularly the two Assistant Commissioners who gave evidence before us in camera, Mr. Deshpande and Mr. Joshi, and in addition Mr. Keni, Statistical Superintendent. They were of considerable assistance to us in supplying information, discussing technical points, and meeting our criticisms. Without their help, this report, especially the portion dealing with our first term of reference, could not possibly have been completed to our satisfaction.

We must also acknowledge our indebtedness to the Economic Adviser to the Government of India and his staff, particularly Mr. Subramaniam, whose technical assistance has been invaluable.

Col. Wagstaff of the Railway Board has also assisted us greatly by placing at our disposal his long experience of Railway staff matters.

We also wish to thank our staff, who have worked with energy and devotion and when necessary have put in long hours, and worked both on holidays and Sundays to complete the inquiry.

We have the honour to be,

Sir,

Your most obedient servants,

B. N. RAU,

Chairman.

SHAFAT AHMAD KHAN,

Member.

NEW DELHI :

A. HUGHES,

The 12th December 1940.

Member.

APPENDIX I.

GOVERNMENT OF INDIA.

DEPARTMENT OF LABOUR.

NOTIFICATION.

Simla, the 7th August 1940.

No. L.-1714.—Whereas a trade dispute is apprehended between the General Manager of Great Indian Peninsula Railway and the workmen employed on the said Railway regarding the grant of an allowance to the workmen in view of the increased cost of living brought about by war conditions;

Now, therefore, in exercise of the powers conferred by section 3 of the Trade Disputes Act, 1929 (VII of 1929), the Central Government is pleased—

I. to appoint a Court of Inquiry consisting of—

- (i) The Honourable Mr. Justice B. N. Rau, Kt., C.I.E., I.C.S., a Judge of the Calcutta High Court,—Independent Chairman.
- (ii) Sir Shafáat Ahmad Khan,—Independent Member, and
- (iii) Mr. A. Hughes, I.C.S.,—Independent Member and Secretary to the Court; and

II. to refer to the said Court of Inquiry the following matters which appear to be connected with or relevant to the said dispute, namely:—

- (1) What has been the rise in the cost of living for the lower paid staff since the outbreak of war, in the various areas in which they are employed?
- (2) Having regard to the previous movements in wages and prices, does the rise since the outbreak of war establish a case for a war allowance for the lower paid staff?
- (3) If so, in what areas and subject to what conditions should an allowance be given?
- (4) How should the allowances, if any, be regulated, if in future the cost of living should rise or fall?

M. S. A. HYDARI,

Secretary to the Government of India.

APPENDIX II.

GOVERNMENT OF INDIA.

DEPARTMENT OF LABOUR.

RESOLUTION.

The 7th August 1940.

No. L.-1714.—The All-India Railwaymen's Federation and certain other organisations of railway labour have presented demands for the grant of a dearness allowance to railway employees to meet the increased cost of living brought about by war conditions. The demand of the Federation is that there should be an increase of wages ranging from 10-20 per cent. to employees drawing less than Rs. 100 per mensem. The question was discussed by the Federation with the Railway Board at a meeting in April last. The view of the Railway Board that as prices stood then there was no justification for granting a dearness allowance was explained to the representatives of the Federation and they were also told that the Government of India in consultation with the Provincial Governments were actively considering what was the best means of providing relief in the event of any relief being considered necessary in the future owing to a further rise in the prices. The reason why in the opinion of Government there was no justification for the grant of a dearness allowance had also been previously explained at length in the Legislative Assembly by the Honourable Member for Railways in his budget speech. The All-India Railwaymen's Federation, however, adhered to the view that there was a case for the immediate grant of an allowance and they have submitted an application to the Government of India for the appointment of a Board of Conciliation under section 3 of the Trade Disputes Act, 1929, to settle the dispute.

2. The Government of India, having reviewed the matter carefully, are not convinced that the present circumstances warrant the grant of any dearness allowance. Having regard, however, to the importance of the question for those employees on low rates of pay and the difference of opinion that has arisen, they believe that it would be of assistance both to railway administrations and to railway workers to have an enquiry into the matter under the Trade Disputes Act. The Government have carefully considered what machinery will be most appropriate for dealing with the question and have come to the conclusion that a Court of Enquiry will be more appropriate than a Board of Conciliation. The Government of India have, therefore, decided to appoint a Court of Enquiry under section 3 of the Trade Disputes Act, 1929, to enquire and report on the following terms of reference:—

- (1) What has been the rise in the cost of living for the lower paid staff since the outbreak of war, in the various areas in which they are employed?

(2) Having regard to the previous movements in wages and prices, does the rise since the outbreak of war establish a case for a war allowance for the lower paid staff?

(3) If so, in what areas and subject to what conditions should an allowance be given?

(4) How should the allowances, if any, be regulated if in future the cost of living should rise or fall?

3. The Court will consist of—

The Honourable Mr. Justice B. N. Rau, Kt., C.I.E., I.C.S.,
Chairman.

Sir Shafáat Ahmad Khan, Member.

Mr A. Hughes, I.C.S., Member.

Mr. Hughes will also act as Secretary to the Court.

4. To enable the present enquiry to be conducted expeditiously. the Government of India have decided to confine it to the G. I. P. Railway. If as a result of the Court's Enquiry, the Government of India adopt any principles regulating the grant of an allowance to any classes of workers on the G. I. P. Railway, they will be prepared to apply these principles to any other railway servants in their employ to whom they may be equally applicable.

The Court will be appointed in August and will report to Government in the Labour Department.

M. S. A. HYDARI,
Secretary to the Government of India.

APPENDIX III.

(First statement submitted by the All-India Railwaymen's Federation, dated Bombay, the 26th August 1940.)

We have the honour to submit the following statement on the terms of reference for the consideration of the Court:—

2. Before setting out the demands of the Railway workers and the reasons for those demands, the Federation would like to bring to the notice of the Court that the original application dated 6th April, 1940, on which action has been taken by the Government of India, was made by this Federation as representing the affiliated Unions and the railway workers in India. The Federation has, therefore, been surprised that no official intimation about the appointment of this Court of Enquiry has been given to the Federation.

3. We submit such an official intimation was due to us from the Government of India. We beg to record our protest against the lack of courtesy shown by the Government.

4. The case for Dearness Allowance for railway workers has been discussed between the Railwaymen's Federation and the Railway Board on more than one occasion since the outbreak of the war. But as no agreement could be reached, the Federation presented an application to the Government of India on the 6th April, 1940, under section 3 of the Trade Disputes Act of 1929, requesting that the dispute should be referred to a Board of Conciliation. Briefly stated, the case made out in the said application is that the rise in the cost of living has varied differently in different provinces but that generally speaking the hardships resulting from the rise in prices could be mitigated by the grant of dearness allowance on the following scale:—

20 per cent. increase in wages to those who are receiving Rs. 30 and below per month.

15 per cent. to those who are earning upto Rs. 60 and over Rs. 30.

10 per cent. to those who are receiving wages varying between Rs. 61 and Rs. 100.

Herewith attached for ready reference is a copy of the said application [Appendix—IV]

5. Since then, prices have fluctuated slightly on one side and slightly on the other; the Federation will assist the Court in examining the precise effect of these fluctuations as this enquiry proceeds. The tendency has been towards a rise in more recent weeks. But neither the fall nor the rise had been sufficient seriously to affect the demands of the railwaymen made in the application of the 6th April 1940 or before.

6. Railwaymen do not stand alone in claiming a dearness allowance due to the rise in prices since the war. Applications for a rise in wages were made by the working classes in various industries in all parts of the country; in some cases enquiries were set

up and resulted in the grant of a dearness allowance to the workers concerned. Private employers in a number of cases have granted increase in wages on their own initiative. Municipalities and other local bodies have also taken similar action. The various railway unions have been unanimous in urging upon their respective administrations the urgent need for a rise in wages corresponding to the rise in the cost of living, but invariably they were put off on the ground that it was an All-India matter and that the Railway Board alone could deal with it. The employees of the Provincial and Central Governments have similarly put forward a demand for increased wages. But while private employers and some public bodies have responded to this request of their employees, Governments, both Central and Provincial, have stood out against any increment. In fact the Government have refused to consider this matter till now and when, as in the case of the Bombay Port Trust, recommendations were made by the Trust authorities for giving dearness allowance to their employees, the Government of India have, so far as we are aware, not yet sanctioned such recommendations.

7. Even before the war was declared prices had risen in several parts of the country; after the war broke out the rise was so rapid that at least one Provincial Government was compelled to intervene, in order to prevent the exploitation of the consumer. The Government of India had by that time issued an Ordinance directing, as a measure of price control, that the rise of prices should be permissible upto 10 per cent. only. The Government of Bombay on the other hand permitted the rise upto 20 per cent. Prices went on rising higher and higher and by the close of the year 1939 an acute economic situation had developed and serious hardships were experienced by the masses. Professor T. E. Gregory, Economic Adviser to the Government of India, bore testimony to the sharp rise in prices in a broadcast on 12th January, 1940. He said:—

“Taking 2nd September as equal to 100, then broadly speaking by the end of the year, the general index of primary commodity prices had risen to 137. Manufactured articles had risen to 142; food and tobacco to 125 and other agricultural commodities to 184; raw materials generally to 130. But the important figures are those of general index 137 and the raw materials, viz., 130. The impression I wish to have with you is that wholesale prices as a whole today are something like one-third higher than they were four months ago, and producers of certain kinds of raw materials are even getting Rs. 180 for every 100 that they were getting before the war broke out.”

8. This statement found support in the Finance Member's Budget Speech wherein a rise of 40 per cent. in the price level was admitted. The Chairman of the Imperial Bank of India in a recent speech to the shareholders of that Bank has shown that wholesale prices of paddy had gone up from Rs. 101 on 30th June 1939 to Rs. 122 on 29th June 1940, the peak price being Rs. 127. He also

referred to the rise in the prices of wheat, ground-nuts and tea. The prices of clothing has kept pace with the rise in the cost of food, although they may not have reached the same level. Fuel, lighting, medicine, travelling, house-rent, newspapers, etc., have more or less risen in prices. Altogether the index-number of the cost of living since the outbreak of war could be safely stated to have risen to between 20 and 25 per cent. to the ultimate consumer.

9. When wholesale prices are so high the effect on the retail prices must be considerable. Before the wholesale prices reach the consumer several factors like freight, labour, middlemen's profit, etc., have to be taken into account and these make the retail prices higher than wholesale ones. The rise in retail prices therefore must have been even higher.

10 In the case of railway workers the effect of price increase has considerably aggravated their hardships. Certain privileges enjoyed by the railway employees for years, *e.g.*, free passes, house-rent allowances, subsidy for education of their children, etc., have during recent years been either withdrawn or curtailed and the collective financial loss to the workers in this way has been appreciable. These losses amount to a corresponding reduction in wages and have to be taken into account while assessing the increment to be given.

11. There is one expression used in the terms of reference which requires to be elucidated in order to prevent misunderstanding and that expression is "Lowerpaid staff". Our application to the Government of India was on behalf of all staff and was not intended to be restricted to any particular section of railway employees. To the best of our knowledge the phrase "lower-paid railway staff" has never been defined by any Railway Administration. Our own submission is that this enquiry should embrace railway employees drawing Rs. 160 in capital and other big towns and Rs. 120 elsewhere.

12. The Federation submits that the second term of reference has no relevance to the issues raised in the application. A comparison between the movement of prices and wages prior to the war with the rise in prices since the war is a comparison of likes with unlikes and the term of reference is calculated only to forestall the demand for dearness allowance. When a certain higher wage level has been reached and operated for a number of years and lower prices have then prevailed over a series of years such a fall in prices leads to a certain improvement in the worker's standard. He is enabled during such a period of price-fall to permit himself certain necessities and amenities which were originally not open to him. If the fall continues for a long-term he becomes turned to that improved standard which must thereafter become his minimum. It would then be improper to ask him to go back to the previous low standard on a subsequent rise in prices by refusing to pay him a dearness allowance. It should be the aim of the Railway Board and the Government of India, as indeed of all rational employers to maintain that standard. In fact that has been the accepted aim of all Civilised States and Governments gathered in the International Labour Organisation. We, therefore, submit that the present

rise in the cost of living should be in the light of the standards already reached and not with reference to a past period when prices were higher than now. We cannot, therefore, agree that any comparison between the cost of living now and the cost of living some years ago is any criterion for reaching right conclusions in the present enquiry, and we submit that the second-term of reference is irrelevant and misleading.

13. The present enquiry ought, we submit, to be limited to the examination of the standards already reached, in August 1939. It should not, of course, be assumed that even those standards were at all anything high. In numerous cases even the old scale of pay is not now in force for all employees. Wholesale demotions and abolitions of posts were in thousands of cases enforced and the position is even worse in the case of those who have been brought under the new scales of pay. This matter is so important that we would like to elaborate it a little further. Between 1927 and 1931 the Railways had run a systematic "economy campaign" as it was called which ultimately swelled into wholesale retrenchment measures. By 1930-31 as many as 117,000 workers lost their jobs, thousands were demoted and hundreds of posts were abolished. It will, thus be observed that even the old scales of pay, to which reference is made in the second-term of reference, are not maintained for all old employees. Serious hardships have resulted by virtue of that retrenchment campaign. The second term of reference is to a large extent hypothetical and reveals retrograde tendencies. If it is accepted as a test, it will only stereotype low standards.

14. The third question does not arise if our submission is upheld on the second term of reference. If the Court considers that the third term of reference is within the scope of the present enquiry, we ask for 15 days' time to enable us to prepare the case for railway workers on that footing.

15. Existing wage scales in India are much below what would be considered as minimum wages. The Royal Commission on Labour held that no minimum standard of wage could be fixed for Indian workers and that the existing standards were inadequate.

16. The question of a reduction therefore could not fairly be raised as is done in the fourth term of reference until the principle of minimum wages is accepted. In this connection, we submit that the practice in British Railways should be adopted; there, a certain level of wages is accepted as a minimum below which no reduction is permitted. This is called the "stop rate". Subject to this "stop rate" wages are regulated. If wages have reached a higher level than that basic line and prices fall, no reduction can be urged by the employers until the price-fall is five points when reduction in wages can be made, subject to the basic minimum. Conversely if the prices rise by five points an increase in wages will follow automatically. We are prepared to accept this practice as a guide for the future regulation of wages. For the above mentioned reasons, the Federation submits that the following relief may be granted:—

1. 20 per cent. increase for employees drawing up to Rs. 30
2. 15 per cent. increase for employees drawing over Rs. 30 to Rs. 60.

3. 10 per cent. increase for employees drawing over Rs. 60 to Rs. 100.

4. Such percentage as the evidence should justify for employees drawing over Rs. 100.

17. Herewith enclosed is the statement [Appendix VI] of our case as was discussed between the Railway Board and the Federation

APPENDIX IV.

(Application dated the 6th April 1940, made by the All-India Railwaymen's Federation for the appointment of a Board of Conciliation under section 3 of the Trade Disputes Act, 1929.)

Whereas a Trade Dispute exists between the All-India Railwaymen's Federation and the Railway Board and it is expedient that the said dispute should be referred for investigation and settlement by a Board of Conciliation, an application is hereby made under section 3 of the Trade Disputes Act, 1929, that the said dispute should be referred to a Board of Conciliation.

2. This application is made by the undersigned who have been duly authorised to make this application at a Convention of the All-India Railwaymen's Federation specially called for for the purpose by means of a resolution unanimously adopted by the delegates of various affiliated Unions who were deputed by the respective Unions to decide the specific issue.

3. A statement [Appendix V] giving particulars of the dispute as required by rule 4 of the Indian Trade Disputes Rules, 1929, is enclosed.

APPENDIX V.

Statement under Rule 4 of the Indian Trade Disputes Rules, 1929.

(a) *Parties to the Dispute.*

Parties to the dispute are the All-India Railwaymen's Federation and the Railway Board.

(b) *Nature and cause of the Dispute.*

Since the outbreak of this war, the prices of various commodities began to rise rapidly and by December 1939 the rise assumed serious proportions. Urgent representations were made by various Unions to the respective Railways demanding additional wages to compensate them in the rise of the cost of living.

The percentage of rise has varied in different Provinces but generally speaking the results of the rise can be met by a grant of Dearness Allowance of 20 per cent. to those whose wages are Rs. 30 and below; 15 per cent. to those whose wages are between Rs. 60, and Rs. 30; and 10 per cent. to those whose wages are between Rs. 100 and Rs. 60.

The Railway Board have so far failed to accede to this demand and discontent of workers is growing.

(c) *Estimate of persons affected.*

Estimate of number of workers affected is between five and six lakhs.

(d) *Efforts made by the parties to settle the dispute.*

The President and the General Secretary of the All-India Railwaymen's Federation met the Railway Board informally on 2nd February 1940 and urged the need for a prompt decision in this behalf. There was a special meeting between the Board and the Federation on 5th April 1940 when this question was again argued at length and Dearness Allowance was demanded on the scale described above. The Railway Board have turned down this demand.

APPENDIX VI.

Memorandum on Dearness Allowance.

(All-India Railwaymen's Federation)

While referring to the recent rise in prices in presenting the Railway Budget for 1940-41, the Railway Member stated "We are at all times ready to consider any reasoned statement of the position which takes into account the considerations I have mentioned."

The considerations, he alluded to, are the following:—

- (1) That the Government's "own examination of the situation at the present moment suggests that in no area have prices risen to the levels prevailing when the bulk of the present rates were fixed";
- (2) That the question is one "of an equitable arrangement between Railway servants on one side and other sections of the community on the other." Practically "all Railway servants have been gainers at the expense of primary producers who suffered as a result of great fall in prices in 1929-31";
- (3) "Any doctrine that Railway servants have the right to increase in prices 'neutralised' by additions to their pay, would carry with it the corollary that, whenever prices fell, pay should be correspondingly reduced";
- (4) "While private employers who secured substantial reductions in their wages bills a few years ago rightly gave some enhancement, the Railway rates are rigid and have undergone no change and therefore do not require to be supplemented just now";
- (5) "The average remuneration for Railway staff as a whole rose by about 10 per cent. between 1929-39, whereas prices were substantially lower in 1939 than in 1929 and that the incremental scales which are common in the Railways tend to alleviate the effect which an upward movement in prices may produce".

Point No. (1).—In dealing with point No. (1) referred to by the Railway Member, the Federation desires to invite the attention of the Railway Board, that according to their figures submitted in 1912 to Datta's Committee, the real wages of Railwaymen did not practically improve between 1895-1912 as will be evident from the following index of real wage figures:—

All-India average for Railwaymen.

	1895-99.	1900-04.	1905-09.	1910.	1912.
Real wages . . .	97	102	97	108	101
Nominal wages . .	102	108	117	136	139

The said Committee observed that in some cases the real wages worsened. The above will indicate in spite of the rises in the scale of Nominal Wages, the rise in prices 'neutralised' the effect of increases with the result that the standard of living of Railwaymen

before the last Great War had been practically stagnant over a period of twenty years. Subsequent revisions made in 1920 by absorbing war allowances constitute the highest levels ever reached and even so, were not made in exact proportion to the rise in the then level of prices. In 1920, the General Index number for all articles was 281 as against 137 in 1912 whereas the highest increases in pay for Railwaymen given in 1920 varied between 35 per cent. and 73 per cent. over pre-war monthly rates of pay. In the circumstances, it will not be unreasonable to suppose that the standard of living of Railwaymen did not materially improve between 1895 and 1920. In 1924, some Railways like South Indian Railway worsened the scales of pay and otherwise whatever little improvement of temporary and uncertain nature the men had was due to the subsequent fall in prices. The lowest paid subordinate and inferior service men have never received their wages on living wage principle and this statement can be confirmed by a consideration of the official data collected by various Railway Administrations for submission to the Whitley Commission in 1930. Whenever the prices fell, there was occasional and slight relief to the low paid Railwayman by enabling him to purchase foodstuffs and necessities of life, of better quality instead of buying the cheapest stuff. There was no question of savings or permanent improvement in his case.

Grudging even this, in 1934-35, revised scales of pay were framed, which according to the Railway Member's Budget Speech for 1936-37 was calculated to result ultimately "in savings of between 2 and 3 crores a year". In a Wages Bill of Rs. 32 crores per annum, a cut of Rs. 3 crores is a serious one indeed!

The above considerations will point to the conclusion that the much vaunted improvements in the position of Railwaymen up to 1934-35 were really superficial and in 1934-35, when wage rates were revised taking into consideration all relevant factors from the Administration's point of view, the prices lowest as the following table of index numbers of wholesale prices in Bombay, Karachi and Calcutta will reveal:—

Index numbers of wholesale prices in India.

Number of articles.	Bombay	Karachi	Calcutta'
	40	23	72
1933 average	98	97	87
1934 „	95	96	89
1935 „	99	99	91
1936 „	96	102	91
1937 „	106	108	102
1938 „	101	104	95

Number of articles.	Bombay 40	Karachi 23	Calcutta 72
1938.			
November	99	104	95
December	101	105	95
1939.			
January	100	105	96
February	99	104	98
March	99	104	97
April	100	104	100
May ;	101	104	101
June	101	103	101
July	100	103	100
August	103	104	100
September	120	109	114
October	121	111	118
November	133	120	131

Considering the year 1934-35 when the wage rates were last revised as the base, it can easily be shown that there has been a steady increase in the price level from 89 points to 137 points by December 1939 and therefore the point No. 1 urged for consideration by the Railway Member becomes important only in the reverse sense. The position in respect of 1920 has been already mentioned and lastly it may be again stated that the wages position of the lowest paid category of staff who never received living wages has never been enviable. One cannot do better than quote the present Railway Member's following statement:—

“The cost of staff per train mile has been falling for some years and is now no higher than it was in 1922.”

Point No. (2).—With reference to point No. (2), it is essential to remember that the financial position of the Indian Railways has been the envy of other countries in spite of what the Railway Board have stated as “the lowest rates and fares in the world”. When the prices fell disastrously in 1929-31, the Railwaymen did not stand to benefit. Block retrenchments on an all-India scale were effected. Short-time in workshops was introduced and still continues in places like B. N. Railway Kharagpur Workshops. Wage cuts benefiting the Railway consumers to the extent of 4.67 crores of Rupees were imposed. Several service privileges were drastically curtailed. Rates and fares have been steadily reduced, benefiting the Railway

consumer to the tune of Rs. 5 crores to Railway revenues, assuming there was no increase of traffic (*vide* page 15, Railway Budget Speech 1936-37). The losses in traffic receipts due to unfair motor transport competition estimated in the same speech to be nearly Rs. 3 crores per annum are made good at the expense of the lowest paid Railwaymen. The Railways have contributed to the General Revenues between 1915-1941, nearly Rs. 119 crores. Losses on the Strategic Railways have been reimbursed by the Railway revenues and military traffic subsidised at about one crore of Rupees per annum. The job analysis operations have already benefited the Railway owner and the consumer to the extent of Rs. 1.4 crores per annum.

Besides the above, permanent savings due to staff retrenchments and new rates of pay have added to the wealth of the community that owns the State Railways in this country. Certainly the Railway servants were not gainers after 1929-31 fall in prices and especially at the expense of primary producers in view of the above savings. In the circumstances, it is but fair that when the lowest paid Railwaymen in spite of the several benefits conferred on the consumer, have become more miserable due to rising prices, they should be relieved from their distress.

Point No. 3.—Strictly speaking when wages are fixed on a living wage principle and the cost of living figures are worked on a scientific basis, there is scope for modification of wage rates in proportion to the alterations in the bases. Unless the above condition is satisfied, the doctrine of no compensation when prices increase denoting the prosperity of the producers and retrenchments when prices fall cannot but have deplorable results if put into practice, as has been done.

The request for dearness allowance is not a demand for improved standard of living although it would not be unreasonable to do so and the Board themselves admitted in 1929 before the Whitley Commission saying that they "recognise that accepted standards are being raised, and what would have been regarded as satisfactory even ten years ago is no longer sufficient" and "for that a revision of wages to improve the position was then contemplated."

Point No. (4).—Reference has been made to private employers who have granted dearness allowance to their staff. As already stated, the Indian Railways enjoy a superior financial position whether in comparison with Railway systems of advanced countries or with industries like Textiles and Sugar which are subsidised by the tax-payer. If industrial concerns, subsidised, feel it imperative to grant dearness allowance for their employees there is greater justification for Railways to do so, considering that the Railways are subsidising general revenues and several industries and establishments by charging concessional rates below economic cost. Not only employers who cut the wages of their staff during economic depression but also several others have granted dearness allowance. The colliery owners have recently granted 10 per cent. allowance. The Railway rates have been increased to give Rs. 5½ crores to the General Revenues and mention has been already made that the Railway Wages have admittedly become retrograde in recent years.

The Railway Administrations will not be justified in not granting essential compensatory allowance to the staff when the revenues are increasing for the same reasons Railway Wages were cut in 1931 to help the General Budget.

Point No. (5).—By the application of elementary arithmetic, it is stated that the average remuneration for railway staff as a whole rose by about 10 per cent. between 1929-39, giving a misleading impression of the relative level of wages. In 1930-31, the average cost of a Gazetted Officer was Rs. 17,267 on State-owned Railways and in 1938-39, the cost was reduced to Rs. 16,624 per annum according to one calculation. According to another, the cost of a Gazetted Officer on E. B. Railway rose from Rs. 15,010 in 1930-31 to Rs. 18,052 in 1938-39, and on N. W. Railway from Rs. 14,860 to Rs. 16,080 in the same period although the scales of pay on the two State-managed Railways are the same. No misleading conclusions should be arrived on the basis of the above figures, that either the cost is reduced or is increased or is different on the State-Railways.

While it is true that incremental scales provide for increases for some years, there are bound to be apparent increases as well as decreases in the aggregate costs in any particular series of years while the basic rates may remain unaltered. If a person retiring on the top of a grade is followed by a person on the minimum of the grade the costs will be correspondingly affected. Further the increments in the initial scales of pay do not exactly represent the increments in the needs of the employees earning such increments. A Despatch Clerk on E. B. Railway recruited in 1929 on Rs. 30—2—40 would have reached his maximum in 5 years while his family burdens are not static but continuously increased. It would be wrong to say in 1939 that his position is better off by 33 and 1/3 per cent. because his present pay is Rs. 40 as against Rs. 30 10 years ago, ignoring his additional responsibilities today. There are thousands of cases of Railwaymen who are blocked in the same pay for several years for no fault of theirs and incremental scales are less in operation in Railways compared to other Government services. Further the security of service of a low paid Railway employee is now-a-days seriously and continuously menaced by job analysis and periodical retrenchments.

In the circumstances, when prices shoot up adversely, the lowest paid employees deserve special consideration. The effect of increase in prices on the wage earners can roughly be gauged from the estimates of family budgets prepared by the Railway Administrations. (*Vide* pages 163-310 supplementary Evidence Volume XI, Royal Commission on Labour in India).

The Finance Member in his budget speech has mentioned that the rise in prices is about 40 per cent. since the declaration of War and there has been no wide divergency in the rate of increase among the different classes of commodities. Dr. Gregory in his broadcast speech delivered on 12th January 1940 stated: "Taking 2nd September as equal to 100, then, broadly speaking by the end of the year, the general index of primary commodity prices had risen to 137. Manufactured articles had risen to 142; food and tobacco to 125 and other agricultural commodities to 184; raw materials generally to

130. But the important figures are those of general index 137, and the raw materials *viz.* 130. The impression I wish to have with you is that wholesale prices as a whole to-day are something like one-third higher than they were four months ago, and the producers of certain kinds of raw materials are even getting Rs. 180 for every 100 that they were getting before the War broke out."

Estimates of increase in prices are capable of easy verification and therefore there should be no delay in granting relief.

Any differences of opinion between the Railways and their employees on the actual rate of increase in prices and its effect on the family budget of the lowest paid worker are capable of independent and impartial investigation.

Any delay in grant of dearness allowance cannot but increase the indebtedness or the malnutrition of the workers and their families due to underfeeding. When other employers already are taking action, the Railwaymen should not be differentially treated in this matter.

PRESS COMMUNIQUE BY THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), DATED NEW DELHI, THE 6TH APRIL 1940.

A special meeting between the Railway Board and the All-India Railwaymen's Federation was held in New Delhi, on the 4th and 5th April 1940. Mr. Jamnadas Mehta, the President of the Federation led the deputation which included Mr. S. Guruswami, the General Secretary, and eight other delegates from certain Unions affiliated to the Federation.

2. On the 4th April, the extension of Provident Fund benefits to certain categories of Railway employees was discussed. At the outset the Chief Commissioner referred to a printed representation which Mr. Jamnadas Mehta had submitted to the Honourable Member in charge of Communications on behalf of the Railwaymen's Federation and proposed that this should form the basis of discussion. In this Memorandum the President of the Federation had compared the lot of the more highly paid staff, including officers, with that of the large number of lower paid servants, who, he contended were bound to retire without having made any provision for their old age apart from gratuity which the writer said would be absorbed by their outstanding debts. Mr. Jamnadas went on to compare the condition of these workers with the large sums in Provident Fund benefits and gratuities which officers receive. He reminded the Board that the Railwaymen's Federation and all the affiliated Unions had pressed for an extension of these benefits for some time and that such an extension had in fact been recommended by the Royal Commission on Labour in 1931.

3. Mr. Jamnadas then argued that Railways had in the past saved large sums which, according to the present procedure, were disposed of in ways which he considered unjustifiable and some of which at least should have been legitimately spent on improving staff conditions. He suggested that the convention of 1924 had

placed unduly heavy burdens on Railway revenues and that it should be modified so as to give to the Central Revenues less than 1 per cent. on the capital at charge. He referred to recent savings in interest charges and changes in the allocation of expenditure as described by the Honourable Member in his budget speech, which visualized a saving on capital at charge of some 30 lakhs next year with a corresponding increase in working expenses. More particularly he referred to what he considered to be an unjustifiably large allocation from Revenue earnings to the Depreciation Fund. This, he contended, had resulted in a very large credit balance in this fund, which he said was neither the intention when the fund was inaugurated nor was it necessary having regard to the purpose that the fund was designed to serve. Allocation to the Depreciation Fund should, he said, be limited to the amount required for replacing a wasting asset. In reply the Chief Commissioner pointed out that the saving in interest charges did not necessarily entitle staff to claim higher emoluments, that the growing capital at charge of Indian Railways had from time to time caused Government anxiety and its reduction was considered an urgent necessity. As for the Depreciation Fund, it was pointed out that under the present abnormal conditions the replacement of wasted assets was difficult, so that much will have to be postponed until after the war. He did not consider, having regard to the enormous capital at charge, that the balance in the Depreciation Fund was in any way excessive or more than was necessitated by prudent finance.

4. The Chief Commissioner then went on to say that a complete extension of the Provident Fund benefits on State-owned Railways was estimated to cost something like 72 lakhs per annum and that, as had been announced by the Member in charge of Communications in his budget speech, it was proposed to set aside 12 lakhs during the present year towards ameliorating staff conditions and that he understood the Federation considered that this could best be spent on the extension of this benefit to some of those who did not at present enjoy it. He then pointed out that if the extension was made on the present scale to all lower paid workers, they would in effect receive far greater benefits than those to which similar employees in other Government services were entitled. As is well known, Government at present contribute a sum equal to that which is cut from the employees pay and it was for consideration if a reduction in the former to perhaps 75 to 50 per cent. of what it was now would not be justifiable. He pointed out that this would naturally allow a greater number of people to benefit as the 12 lakhs would be spread over a wider field. The Federation replied that they would like to have a little time to consider this proposition. The Chief Commissioner then said that various methods of extending this benefit had been considered but he would like to hear if the Federation had formulated any ideas of their own on this subject. To this Mr. Jamnadas said that the Railways were in a position today to pay the whole of the 72 lakhs of rupees and that the sum of Rs. 12 lakhs was much too small a provision. Subject to that contention Mr. Jamnadas suggested that they thought that in the first instance the Fund should be extended to all those who had 25 years' service and upwards or downwards

until the Rs. 12 lakhs were absorbed. This would at any rate give increased benefits to employees of long service who were nearing the end of their Railway career. The Chief Commissioner replied that such a method had not been considered by the Board for length of service was not the criterion which was used in the Provident Fund Rules but he promised to do his best to make a rapid, though perforce approximate, investigation into its financial implications. He suggested that they should meet a trifle earlier on the following day in order to consider the matter further. This was agreed to.

5. On the following morning, therefore, Mr. Jamnadas Mehta said that the Federation were opposed to any reduction in the 100 per cent. contribution which at present Government made to an employee's Provident Fund contributions under the present rules. On his side the Chief Commissioner intimated that such examination as had been possible appeared to suggest that the cost of extending the Fund to those with 25 years' service and over might be met within the 12 lakhs per annum which had already been allocated for improved conditions to staff. It was agreed that the extension should be on an optional basis. The Board, therefore, accepted in principle the suggestion made by the Federation subject to further investigation as to the actual cost and administrative considerations. The examination of this would obviously take some time as many thousands of Service Sheets would have to be examined and he therefore suggested that when he and the Financial Commissioner visited Bombay in July, Mr. Jamnadas Mehta and Mr. Guruswami, the General Secretary of the Federation, with possibly 2 other delegates might meet him to discuss further details which a closer examination might have rendered necessary. Mr. Jamnadas hoped that the provision of 12 lakhs in the present year did not mean that Government considered this a final solution to the problem and that the Board would give an undertaking that this was only a step towards bringing all Railway employees within the scope of the Fund within a definite number of years. To this the Chief Commissioner replied that while it was impossible to give such an undertaking owing to the uncertainty regarding future railway earnings, Government hoped that it would be possible to take progressive steps in the direction desired by the Federation.

6. The discussion then passed to the question of the position of Railway labour due to the increased prices since the war. With regard to this subject, Mr. Jamnadas continued that prices had risen approximately 20 per cent. since the outbreak of war and in so far as lower paid employees were not drawing wages which allowed for any rise in the cost of living, they must be compensated for the present position. In reply to this the Board showed a statement of Cost-of-living Indexes for those towns which maintained these figures, from which it appeared that the general rise since last August had, on the whole, never been higher than about 10 per cent., that the present level is about 8 or 9 per cent. and that, as was admitted, prices were dropping. In reply to this Mr. Jamnadas referred to a recent Board of Conciliation of which he was a member where the method of preparation of the Bombay Cost-of-living Index was questioned for a variety of reasons and it was

contended that although the Bombay Index only showed an increase from 105 in August 1939 to 114 in January 1940 yet the true increase since the war, if the figures had been correctly compiled, would be 20 per cent. He admitted, however, that the present figure had dropped to 112 in February. He then referred to what the Mill-owners in Bombay were prepared to give in the way of increased wages in reply to which it was pointed out that in this case mill wages had been permanently decreased during the depression which was not the case so far as Railway labour was concerned. The Chief Commissioner then pointed out that the last comprehensive revision of wages on Railways in an upward direction took place in 1919-21 when the previous War Allowances were absorbed with the result that the new wages for lower paid servants were 80 to 100 per cent. higher than they had been in 1914, an increase which was comparable to the increased cost of living during the period and when in fact the Bombay Index was 182. There was a further upward revision in 1929 in respect of inferior servants and Workshop hands on many of the Railways. Moreover, the revised scales of pay for new entrants introduced in 1931 were not, as far as low paid employees were concerned, appreciably lower than the old scales. To this Mr. Jamnadas replied that it was impossible to go back so many years in considering the men's claims and that they had naturally got used to a new standard during the period of low prices since the depression of 1931. The Chief Commissioner said that, even if that argument was admitted to have some force, it must be pointed out that prices had fluctuated even in the last 8 years before the present war began and that the present levels were not in some cases higher than they were in 1937. He then asked Mr. Jamnadas if he would state in definite terms what the representation of the Federation was. To this Mr. Jamnadas replied that they considered that under no circumstances should the purchasing power of the wages of lower paid employees suffer diminution and that an increase should be allowed at a rate of 20 per cent. for those drawing Rs. 30 and less, 15 per cent. for others up to Rs. 60 and 10 per cent. for those up to Rs. 100 per mensem, above which he left the matter to the discretion of the Railway Board.

7. In reply the Chief Commissioner said that a rapid calculation of the financial effects of such an allowance excluding any allowance for those drawing more than Rs. 100 indicated that the cost was somewhere in the neighbourhood of 4 crores of rupees per annum. He continued that the Railway Board did not consider that as prices stood at present there was any justification for granting a Dearness Allowance, especially as there was a general tendency for the prices of staple commodities to fall. The Government of India had, however, been in consultation with Provincial Governments as to the best means of providing relief in the event of this being considered necessary in future owing to a further rise in prices; this consultation showed that the familiar Grain Compensation Allowance was generally considered to be the best method of achieving this end and Government proposed to examine the problem further along these lines with the intention, so far as practicable, of making such schemes as the Provinces formulated applicable to Railway staff. The exact implications of such schemes

were further discussed and it was suggested that the Federation should accept this method of approach without necessarily committing themselves to any specific formula. Mr. Jammadas regretted, however, that the Federation must regard the proposal of the Railway Board as unacceptable, but earnestly hoped that they would join the Federation in an application to the Government of India for a Board of Conciliation. In reply to this the Chief Commissioner said that he regretted very much the Federation's inability to accept what the Board considered to be a fair and equitable method of dealing with the problem and though he was not prepared to commit himself to the proposal that the Railway Board would join the Federation in an application to Government for a Board of Conciliation, he was sure that any application which the Federation might make would receive the most careful consideration of Government.

The meeting then terminated.

APPENDIX VII.

(Second Statement submitted by the All-India Railwaymen's Federation, dated Bombay the 9th September 1940).

1. In the first statement (Appendix III) made by the Federation, we had submitted *inter alia*, that the second term of reference to the Court of Inquiry was irrelevant and reactionary. We had also submitted that the third term of reference was not an independent term but a part of the second and therefore also irrelevant to this Inquiry. But the Court has been pleased to hold that they are relevant and we are accordingly making our submission on them.

2. We submit that the implications of the second term of reference are opposed to accepted principles and, if given effect to, will result in serious hardships to workers and in large scale social distress. Briefly stated the point of the second term of reference is as follows :—

3. "Admitting that the cost of living had risen since the outbreak of the war, it has not risen sufficiently high in relation to the wages received today by the railway workers, inasmuch as, those wages were fixed when prices were as high as, if not higher than, the present prices. That being so, the workers' standard still is what it was when the present wages were fixed. The recent rise in prices cannot, therefore, be pleaded in justification of a demand of a wage increase".

4. Our submission is three-fold. First, since the last world war, two fundamental principles have been evolved, each having an important bearing on this question: (1) the stand taken by the International Labour Organisation at Geneva on the question of human labour; (2) the measures taken by the States and Governments associated at Geneva, to counteract the world economic depression between the years 1930-35. By the establishment of the International Labour Organisation the participating Governments virtually repudiated the old economic theory of supply and demand so far as labour was concerned; it was solemnly recognised as a fundamental principle that labour, whether manual or intellectual, should not be treated as a commodity for sale in the market. Human labour thus received a new dignity. The Railway Board themselves agreed to this new conception of the relations between employers and their men and recognised that in judging of economic standards what would be considered satisfactory ten years ago would be no longer sufficient today. The Royal Commission on Labour put its seal of approval on this doctrine and recommended that the claims of lower paid workers to improved standards should continue to receive careful consideration from the Railways. The Commission pointed out that even after the improvements in wages effected twice between 1920 and 1930, four lakhs and eight thousand workers on Railways being 54 per cent. of the total number of railway employees were still in receipt of less than Rs. 20 per month. What are called the Old Scales of Wages were thus considered to be inadequate by such a high authority and but for the fall in prices due to world depression even the small improvement in the standards that was secured in 1930 and after, would not have taken place.

5. The second fundamental doctrine evolved since the last world war was the result of the depression of 1930-35. During those years the world economic mechanism had gone out of gear; the catastrophic fall in prices had disturbed the rhythm of economic activity, reduced production and resulted in the most widespread unemployment alike in agriculture and industry. Out of this travail was born the second fundamental doctrine, *e.g.*, economic efficiency of the masses as a measure of social security. Governments and States came to regard the standards already attained in pre-depression period as the minimum requirements of decent living and not as an occasional boon to be enjoyed in good times only to be sacrificed without a murmur when depression sets in. In other words, the old subsistence line theory of wages was no longer tolerated unless it guaranteed the maintenance of social well being. This doctrine of minimum economic well being accepted by the members of the International Labour Conference at Geneva has been raised to the level of a first principle as essential to national security as the need for national defence against invasion. The security of the State is to be guarded against two enemies, (1) The foreign invader, (2) Domestic Chaos arising from insufficient economic standards. As stated by an eminent publicist "the task of insuring the standard of life for its people is now as much the fundamental duty of the State as the preservation of national independence".

6. The second term of reference ought therefore to be tested in the light of these two fundamental conceptions of human relation in the economic sphere evolved since the last war and must stand or fall according as it stands that test or not. We submit that far from standing the test it flies in the face of these two bedrock principles as we shall now proceed to point out.

We begin with 1914 as the basic year. The first rise in wages was given to the railway workers in 1920-22 since 1914. On an average this rise was a little over 50 per cent. over the wages paid in 1914. But the cost of living in 1920-22 had risen by 190 per cent. over 1914 and the average increase of 50 per cent. therefore left the worker in an unfavourable position. It is true that the subsequent fall in prices was for some years sufficient to give him purchasing power equivalent to the cost of living, but in the net the wages continued to be still very low. This was realised by the railways themselves and by 1929 they accepted the justice of the demand for a rise in wages. After several enquiries, an improvement in wages was effected which with other privileges brought to the Railway workers Rs. 43,00,000 (Rupees Forty-three lakhs) of additional income in 1930-31, Rs. 83,00,000 (Rupees Eighty-three lakhs) in 1931-32 and ultimate gain to them was to be Rs. 1,31,00,000 (One Crore and thirty-one lakhs) per year. The railways also contemplated a capital expenditure to the tune of 75 lakhs of rupees for giving effect to the Hours of Employment Regulations including the cost of staff quarters.

7. This then was the position accepted by the railways in 1929-30 for the future. It must be remembered that even these increments did not assure a minimum wage to the workers. The workers continued to face a very unequal struggle and this was shown by their heavy indebtedness. The Royal Commission on Labour found that nearly 66 per cent. of the workers were in debt and their desperate

need for additional resources drove them into the arms of money lenders, who extorted a rate of interest which varied between 18 per cent. and 150 per cent. The increments given to the workers between 1920 and 1930 were not thus sufficient to bring additional grist to their domestic mills; it is only the subsequent heavy fall in prices which helped them to maintain a precarious and unstable balance; unhappily, however, before they could derive any relief from the falling prices, the railways began to undo what little they had done to improve the lot of their employees. An "economy campaign" began in 1928 became active by 1930 and assumed most virulent and widespread proportion by 1931.

8. The Railways discharged in the name of economy about a lakh and twenty thousand workers between 1929 and 1932. In addition they abolished many posts and carried out demotions by the thousand involving heavy reduction in wages even of those who were fortunate enough to retain their jobs.

9. As if this retrenchment and demotions were not enough the railways revised the scales of wages in the wrong direction. In 1934 they introduced what are called "New Scales of Wages" making them retrospective from July 1931. All those who were employed since this latter date were placed on these new scales. We are not in a position to state with any degree of accuracy the exact number of workers on these new scales. We roughly estimate them at about two lakhs and twenty-five thousand or nearly 30 per cent. of the total number of Railway employees.

10. By 1934, therefore, there were two classes of railway employees who were given two different standards of living although doing the same kind of work; those who received the wages fixed prior to 1931 and those who received the new scales thereafter. The old scales, as we have pointed out, never came to a minimum wage but the decline in price level during the world depression of 1930-35 made the workers' conditions somewhat tolerable and gave them a certain extent of improved standard. Even with the improved standard the majority of railwaymen on the old scales were, as pointed out above, in debt and had to undergo great strain to keep themselves going.

11. If that is true of the old scales of wages, the situation is infinitely worse as regards those on the new scales of wages. This reduction of wages was taken in hand after the retrenchment of 1931. The scheme was hatched in secret. The workers, whose fate was to be decided, were not taken into confidence. No railway union was asked to make submission of its views and requests made by the workers for an opportunity to make representations were not listened to. The Railwaymen's Federation which has been officially recognised by the Railway Board as a body entitled to be consulted in all staff matters was kept at an arms length. Its requests for information were ignored. The scheme of wholesale wage reduction was decided over the heads and behind the backs of the workers intimately concerned and was put into force retrospectively from July 1931. The percentage of reductions was so drastic that it came as a bolt from the blue. The reductions effected were between $7\frac{1}{2}$ per cent. to 50 per cent. and in some cases even 60 per cent. The annual increments and the maximum were also reduced. Efficiency bars were put where

none existed before. Hardly, any class of employees, however lowly paid, escaped reduction and the wage bill as a combined result of the wholesale retrenchment and the new scale of wages caused to the workers a loss of over three crores of rupees a year or a loss of nearly Rs. 50 per worker per year and that too in a country where the wages have always been very low and in spite of the recommendations of the Royal Commission that the tendency should be towards improved wages and not otherwise.

12. It will be obvious that neither the workers on the old scales, and much less the workers on the new scales have stood to gain much by the previous movements of wages and prices mentioned in the second term.

13. In this connection we would also like to invite the attention of the Court to another factor vitally linked with the economic standards of the railway workers. Since 1931 the railways have continuously deprived the workers of their privileges and benefits. This has been true alike of the new and the old scales of wages. The number of passes for the employees has been substantially reduced; leave periods have been curtailed; workers who were getting rent free quarters are now in some cases required to pay house rent; the benefits of the school subsidy have been much reduced and the payment of grain compensation has been stopped. Thus the totality of the result of these economic changes could not have left any surplus of improved standard to the worker even as a result of the price fall.

14. Thirdly, whilst this is the position of railwaymen generally, the condition of the workers of the G. I. P. Railway is even worse. Their hardships have been aggravated by the sequel to the great strike of 1930 on that railway. So far as we have been able to estimate, nearly 80 per cent. of the staff were on strike and they were all discharged for having participated in it. When the settlement took place the reinstatement of the strikers was agreed to as one of the conditions. But for years together full relief was not secured in this direction and those who were reinstated were in a majority of cases taken on new scales of wages which means that so far as the G. I. P. Railway is concerned the old scale of wages is true only of a part of its present employees the majority being on the reduced scales. Their position, therefore, is in a sense special and any possible advantage visualised by the second term of reference in the movement of rise in wages is only partially applicable to them. Generally, we may be permitted to say that any possible improvement of the standards in favour of the workers on the old scales has not been substantial and modern ideas require that standards once reached should not be disturbed. We, therefore, submit that the attention of the Court of Inquiry should be concentrated on the standards obtained in August 1939 and on the effect on those standards of the rise in the cost of living due to the war. In the case of those on new scales even this advantage cannot even be pleaded.

15. To sum up, the evolution of the two fundamental conceptions of the dignity of human labour on the one hand and of the obligations of the community to its members in the matter economic well being on the other are the gains of the working classes from the catastrophe of the war of 1914 to 1918 and of the unparalleled depression of 1930-34 with its huge armies of the unemployed. With the acceptance by

the major part of the civilised world of these principles, States and Governments with any claim to a progressive outlook have stood committed to their implications. The Government of India is one of them. But the second term of reference is a virtual repudiation of the principles, a definite attempt to put back the hands of the clock to degrade men and women once again to the position of wage slaves to be purchased in the cheapest market like any other article of merchandise and a return to the discredited policy of callous indifference to human misery compendiously described as *laissez faire*.

16. If armaments and other means of national defence are considered indispensable for averting and defeating the invasion of a nation's frontiers and for preserving its independence, economic standards progressively raised to adequate levels are the sure means of securing social justice and the only insurance against disintegration of the social fabric from within and against the certainty of a civil war inside those frontiers.

17. We, therefore submit that our case for an increase in wages due to high prices since the war is not affected by movement of prices and wages referred to in the second and third terms of reference. The only issue before the Court according to us is therefore how to neutralise the rise in the cost of living since the outbreak of the war.

APPENDIX VIII.

(First reply of the G. I. P. Railway Administration to the All-India Railwaymen's Federation's case for the grant of a Dearness Allowance, dated Bombay, the 11th September, 1940.)

The G. I. P. Railway Administration have received a copy of Notification No. L. 1714, dated the 7th August 1940 (Appendix I), issued by the Labour Department of the Government of India and have also been given by the Court a Statement (Appendix III) put in by the All India Railwaymen's Federation, which Federation, it is understood, will represent the workmen at this Enquiry. The Federation's statement consists of a letter dated 26th August 1940, signed by the President and the General Secretary; a copy ("A") of the Federation's application (Appendix IV) to the Government of India for a Board of Conciliation and a Memorandum ("B") (Appendix VI), which it is understood was submitted to the Railway Board in March 1940, and which formed the basis for the discussion which the Federation subsequently had with the Board in the beginning of April, and a Press Communique of 6th April 1940, regarding this meeting.

3. The Administration now replies as follows to the Federation's submission.

4. *Paragraphs 2 and 3.*—This is not a matter for which the Administration is responsible and is not relevant to the enquiry.

5. *Paragraph 4.*—This history of this case is not disputed.

6. *Paragraph 5.*—This requires no comment.

7. *Paragraph 6.*—There is no real analogy between Railway labour and outside workers. The statements made therein do not appear to be germane to this enquiry, although it may perhaps be said that according to Resolution No. 226, dated the 25th June 1940, the Trustees of the Port of Bombay have decided to await the decision of the Government of India with regard to the scheme for the grant of a Dearness Allowance to other Government employees.

8. *Paragraphs 7 and 8.*—In these paragraphs the Federation quotes Professor T. E. Gregory and other authorities in support of their contention that "the index number of the cost of living since the outbreak of War could be safely stated to have risen to between 20 and 25 per cent. to the ultimate consumer". The Administration cannot accept this contention. This is dealt with in paragraphs 37 and 38 of this reply.

9. *Paragraph 9.*—It is submitted that the statements in this paragraph are based on hypotheses which are incorrect and that the rise in retail prices has not been as high as alleged.

10. In regard to the foregoing three paragraphs the Administration relies on the official data available. That data, so far as the G. I. P. Railway system is concerned, are in the first place the official Cost of Living Indices compiled by the Government of Bombay for Bombay and Sholapur and by the Central Provinces Government for Nagpur and Jubbulpore. These published figures are given in Appendix A, together with corresponding indices reduced to a base of August

1939=100. The Bombay indices since 1915 are given in Appendix E and in graphs B-1 and B-2, while those for Sholapur, since 1928, and for Nagpur and Jubbulpore, since 1925, are given in Appendix C and graphs C-1 to C-3. For these places the indices are a reliable measure of the changes that have taken place. Outside these urban areas, the data available are the prices of food-grains normally published by local civil authorities, considerable detail regarding which will be found in Appendix D.

11. *Paragraph 10.*—It is denied that price increases have had the effect alleged. While there have been changes in the rules governing the concessions referred to, it is pointed out that no concessions have been withdrawn from those who previously enjoyed them. Changes in the Pass Rules may have led to some little hardship to workers in isolated instances, but such cases are believed to be few. Indeed, so far as staff residing in Bombay are concerned, the Pass Rules have been changed to their advantage in relation to the issue of residential season passes. As will be seen from Appendix E, such passes were, up to 1928, issued to staff on payment of one-third the public rate. Since 1929, however, they are issued free of charge.

12. The Federation also mentions house rent allowance, which they say has either been curtailed or withdrawn. This statement is denied. Although the rules have been altered, such changes as have been made only affect those who joined the service on and after the date from which such changes were introduced. Further, whereas previously only certain privileged lower paid staff were entitled to free quarters, while others had to pay rent, with effect from 1st April 1932, all inferior staff on less than Rs. 30 per month residing in railway quarters are permitted to do so rent free. As regards the educational subsidy referred to by the Federation, new rules were introduced a few years ago, but the staff then in the service were given the option of electing to remain on the old rules if they were regarded by them as more favourable than the new rules.

13. In view of what is stated above it is submitted that the contention that appreciable financial loss has been sustained by the staff on account of these changes is not substantiated. It is probable that on balance the lower paid staff have gained rather than otherwise on account of any changes in the rules referred to by the Federation.

14. *Paragraph 11.*—The Federation seek in effect an alteration in the Terms of Reference. They state that their application to the Government of India was on behalf of all staff and was not intended to be restricted to any particular section of railway employees. They add that, to the best of their knowledge, the phrase "lower-paid railway staff" has never been defined by any Railway Administration and go on to submit that the enquiry "should embrace railway employees drawing Rs. 160 in capital (by which presumably Bombay is meant) and other big towns, and Rs. 120 elsewhere".

15. The Railway Administration submit that the Terms of Reference cannot be so interpreted or that the term "lower-paid staff" can mean other than those drawing up to Rs. 30 p. m. Any relief which has, in the past, been considered necessary by the Government of India or Provincial Governments for such staff has normally taken

the form of a Grain Compensation Allowance. It is clear from paragraph 7 of the Press Communiqué put in by the Federation that when discussing the matter of a Dearness Allowance with the Railway Board, the Board had in mind some such pay limit as that applied in the case of the familiar Grain Compensation Allowance. Moreover, in connection with the consideration of the present position any compensatory allowance which may be allowed to Government servants (other than Railway servants) will also, it is believed, be limited to those drawing Rs. 30 per mensem at any rate in all mofussil areas.

16. The definition of an inferior servant in paragraph 823 of the State Railway Establishment Code is a "railway servant, other than workshop staff, belonging to a class, the sanctioned scale of pay of which does not rise beyond Rs. 30 a month". On page 152 of the Report of the Royal Commission on Labour in India, the Commission State:—

" No menial servant is allowed to subscribe to the Provident Fund on any terms. Different interpretations of the term menial [now known as inferior servant] are formed on different railways. Generally it is applied to lower-paid employees We recognise the difficulty in the way of low paid employees subscribing to the Provident Fund".

17. It is submitted that no better authority could be adduced in support of this Administration's contention that the wage limit of lower-paid staff should be accepted as Rs. 30 per month.

18. In this connection the Federation have lately been discussing the extension of this Fund to these low-paid employees with the Railway Board, and in the Amplified Report of the Proceedings of the 14th Half-Yearly Meeting between the Railway Board and the Federation (para. 23), as well as in the Press Communiqué of 6th April 1940 (para. 2) which also deals with this subject as well as that of the dearness allowance it is clear that both the Federation and the Board were thinking of lower-paid staff as those drawing Rs. 30 a month.

19. It may be pointed out that, if the definition of lower-paid staff suggested above is accepted, it will cover about 60 per cent. of the total number of permanent employees, i.e., much more than half the total. The limit suggested by the Federation in paragraph 11 of their Statement would cover all but about 5 per cent. of the staff, which cannot possibly have been the intention of the Government of India.

20. The Railway Administration submit that the 30 rupee limit has always been accepted as the correct figure in referring to lower-paid staff, not only in connection with any relief due to rising prices, but in all matters regarding staff administration.

21. *Paragraphs 12, 13 and 14.*—The Court at one of their informal meetings decided against the submission of the Federation in these paragraphs and, as requested, granted the Federation 15 days in which to prepare their supplementary case. When the Federation's submissions in this regard have been communicated to the Administration they will prepare their reply.

22. *Paragraph 15.*—In this paragraph the statement is made that the Royal Commission on Labour held that no minimum standard of wage could be fixed for Indian workers and that the existing standards were inadequate. The Administration have been unable to trace this statement. In fact from the section dealing with the Possible Application of Minimum Wages at page 212 of the Report of the Royal Commission on Labour in India it seems quite clear that provided the necessary machinery is set up a minimum standard of wages could be fixed. This paragraph, however, it is submitted, is not relevant to the Terms of Reference.

23. *Paragraph 16.*—If the Administration's submission on the foregoing paragraph is accepted, then the Federation's submission in the first part of this paragraph is irrelevant.

24. *Statement B—Point 1.*—A good deal of what is stated in the Federation's submission on this point appears to be irrelevant. In regard to the question of real wages, the figures quoted are from the Report of a Government of India Enquiry in 1912 presided over by Mr. Datta, regarding the rise in prices in India. Those quoted show that there was a definite rise in real wages between 1895-99 and 1912 and there is reason to believe that the scales of pay which were introduced on the G. I. P. in 1920, after the four years war, represented a rise in the pre-war scales comparable to the rise in the cost of living. An attempt has, therefore, been made to assess the real wages of G. I. P. workers since 1913-14 and the results are shown in Appendix F'. In the first place the total annual cost of staff on wages below Rs. 30 per mensem was (where the figures were available) divided by the number of such staff. As a result of this analysis, if 1913-14 is taken as 101.2, real wages in 1923-24, after the very high period of prices in 1919-21 has subsided and when the Bombay index had come down to 154, stood at 133.1. In 1930-31 they stood at 174.7, in 1935-36 at 229.9 and 1939-40 at 244.0.

25. It is realised of course that the total cost figure which has been used in arriving at these figures of real wages may include not only wages proper but also certain allowances given to the staff. It would be difficult to separate these costs; moreover, their inclusion is not unjustifiable and their exclusion would not have greatly altered the figures given above. It is also realised that the figures do not bring out any distinction there may be between men on different scales of pay. For these reasons Appendix F' also includes a study of typical examples of individual lower-paid workers with the pay that men in the same positions were drawing from time to time according to the changes in such scales. Here also it seems clear that the real wages have increased and the results confirm the figures derived from dividing total costs by the total number of workers.

26. On this point the Federation comments on the revised scales of pay for new entrants, which were introduced in 1935, but with retrospective effect from 16th July, 1931. The reason for giving retrospect effect to these new scales of pay was that the heavy fall in the cost of living in 1930-31 then justified a reduction in the standard of pay. The Administration, therefore, ordered that all persons employed on and after 16th July 1931, should be on a provisional footing, that is to say in an officiating capacity. The working out of new scales of pay for new entrants in a large organization,

such as the State Railways, is an enormous task, and it took more than three years to complete. The fact remains that the new scales had their base principally on the cost of living in 1931. From Appendix G it will be seen that out of 44,225 permanent lower-paid staff on the Railway on 1st August, 1940 there are 8,914 on the Manmad scales, 27,109 on the Chandwani scales and 8,202 on the revised scales for new entrants. The drop in the new scales of pay for new entrants for this type of staff compared with the former scales was, in most cases, much less than for other grades of staff. Typical examples of the new scales which had been introduced before 1st April, 1930, when the Chandwani or Manmad scales were introduced in 1920 if they enjoy the Manmad scales it will be seen that the decrease in scales of pay are more favourable to the staff than the Chandwani scales. Even for new entrants it will be seen that the cost of living which occurred during the depression and which has not yet approached pre-depression level even after a year of the present war

27. Before the Chandwani scales for lower paid staff were introduced, increases of pay had been granted under the Manmad Agreement, to compensate all staff for the increase in the cost of living brought about by the 4 years' war. Subsequently the pay for lower paid staff was still further improved under the Chandwani scales. It is suggested, therefore, that a comparison of the scales now in force for new entrants could appropriately be made with the scales in force as a consequence of the Manmad Agreement. A full comparison of all divisions of certain categories, but on the whole owing to changes in the sub-categories on this basis cannot be made with the pay of new entrants is no worse, and in many instances better, than that in force for similar categories before the introduction of the Chandwani scales. This is borne out by the figures given in Appendix I. The revised scales in fact are better than those sanctioned after the last war when the Bombay cost of living index was in the neighbourhood of 180 as against 113 at present.

28. *Point No. 2.*—A great deal of what is stated in the remarks of the Federation on this point is not in accordance with facts and cannot, therefore, be accepted by the Administration. For instance, it is stated that when the prices fell disastrously in 1929-1931 the Railway-man did not stand to benefit. This statement can surely not be intended to be taken at its face value. At that time the scales of wages, introduced in 1920 when the cost of living was at its highest, remained unaltered, yet the cost of living index number fell in 1929 to 149, against 183 in 1920 and down to 110 in 1931. It is submitted that the railwaymen must have benefitted substantially.

29. Further, rates and fares have only been reduced in a few instances to meet competition from other forms of transport. As a matter of fact the last rates and fares increase, introduced this year, represented a substantial all-round increase. For these reasons it is submitted that the remarks made by the Federation in this connection are also not in accordance with facts and, even if they were, cannot be regarded as relevant to the Terms of Reference.

30. *Point No. 3.*—Apparently it is the contention of the Federation that every rise of prices should be neutralized by a corresponding wage increase. If so, it is one that the Administration cannot accept, and they are in agreement in this matter with the view expressed by the Railway Member in introducing the Railway Budget for 1940-41 that any such doctrine would carry with it the corollary that whenever prices fell, pay should be correspondingly reduced.

31. *Point No. 4.*—In so far as the Federation refers to the financial position of the Railways, this subject has been ruled out by the Court in the decision taken at one of the informal meetings that this is not a subject which comes within the Terms of Reference.

32. It is submitted that what other employers of labour are said to have done in the matter of the grant of dearness allowance is not evidence nor is it relevant to the Terms of Reference. The position of the Railway worker and that of the outside labourer are not analogous because of their widely different conditions of work, pay, allowances and amenities. Nevertheless it may not be out of place to remark briefly on this point, so far as certain labour in Bombay is concerned.

33. The Wages and Unemployment Report 1934, in regard to Bombay Cotton Textile Industry and the Textile Labour Enquiry Committee Report of 1937-38 display the great variety in the methods of remuneration and in the scales of pay, in the mills in Bombay, yet an attempt may be made to give a general summary of what has taken place.

34. During the 4 years war a dearness allowance was given to textile workers, which was increased from time to time and finally stabilized in 1920 at a level between 70 to 80 per cent. of basic pay. With a few exceptions this allowance was continued till the period 1933-34 in spite of an abortive attempt at reduction in 1926. The cuts made in 1933-34 varied very greatly from mill to mill but the general effect was to bring down the allowance to any thing from 25 to 67 per cent. of basic pay with effect from April, 1934, in addition to which the basic pay as well as a Good Attendance Allowance was also reduced in a few instances. These figures refer to basic rates of pay but in the meantime earnings had changed also, due in some cases to rationalization and in others to improvement in individual efficiency. The reduction in earnings up to April 1934 varied from 10 to 20 per cent., but later in the same year there were further reductions in earnings and by October the reduction, compared with the post-war period (1926), was about 24 per cent. and by July 1937 about 25½ per cent. In that year, however, on the recommendation of the Labour Enquiry Committee, earnings were raised on a sliding scale, which represented an increase of from 6 to 19 per cent. according to the mill, which was estimated to represent an average of 12½ per cent. It may be said, therefore, that since the last post-war period the earnings of the Bombay textile worker went down by about 25 per cent. and were then raised by about 12½ per cent.

35. This was the position when the Board of Conciliation of February, 1940, considered the matter and recommended a 10 per cent. rise in pay with cheap grain shops, which they estimated to

represent a total relief of 13 per cent. of pay. This is substantially what the men actually got after their strike, so that the Bombay textile worker has now got back to the position he was in during the post-war period. This may be contrasted with the G. I. P. Railway worker on the Mammad and Chandwani scales of pay, who has maintained the position he has occupied since these scales were introduced (1920 and 1930) and who, moreover, enjoys many concessions in remuneration and in kind.

36. *Point No. 5.*—Here again there is much, it is submitted, that is irrelevant. It would clearly not be feasible for the Administration to vary rates of pay to meet the varying private responsibilities of the employee. The argument put forward in sub-paragraph 2 under the above heading by the Federation is not one that can be accepted by the Administration. In regard to the Federation's next paragraph, the Administration does not admit that prices have yet moved up to a level which justifies any allowance on this account.

37. As regards the concluding paragraphs of the Federation's submission on this point, they have on several occasions given figures for the increase in wholesale prices since the war began, and have quoted a broadcast talk which was given by Dr. Gregory, the Economic Adviser to the Government of India, at the beginning of this year. That these fluctuations in wholesale prices give no precise information as to what is happening to retail prices was the conclusion of the Bombay Textiles Board of Conciliation. In their Report they quote Sir Walter Layton, the Editor of "The Economist", to the effect that "cost of living lagged behind wholesale prices both in time and in extent, i.e., it moved more slowly and less extensively". Apart from this, the rise in prices referred to by Dr. Gregory contained many items, such as steel, jute, etc., which cannot reasonably be included in any working class cost-of-living index, and many of these were subject to considerable fluctuations at the beginning of the war due to causes which did not affect the prices of the article which the worker consumes. The figures relating to wholesale prices are not questioned therefore, but the fluctuations in retail prices as shewn by the Cost of Living Indices prove that Sir Walter Layton is right and that there is no evidence to substantiate the claim made in paragraph 9 of the Federation's statement that, compared with wholesale prices, "the rise in retail prices therefore must have been even higher".

38. The Administration submit that the Federation's claim in this connection is entirely contradicted by the evidence.

G. I. P. Railway Administration's statement on the question of the grant of a dearness allowance.

FIRST TERM OF REFERENCE.

"What has been the rise in the cost of living of the Lower-paid staff since the outbreak of war in the various areas in which they are employed?"

1. In regard to this Term of Reference the Administration, while admitting that there has been a rise in the cost of living since the

outbreak of war, do not consider it to be such as to require the grant of a Dearness Allowance.

2. *Lower-paid staff*.—An important question for decision in this term of reference is what constitutes the “lower paid staff”, and in paragraphs 15 to 20 of the Administration’s reply to the statement put in by the All-India Railwaymen’s Federation, they have dealt with this matter and have put forward their reasons why the definition of “lower-paid staff” should be those whose wages are Rs. 30 or under per month.

3. *Rise in the cost of living since the outbreak of war*.—The Administration submit that the official cost of living indices give a fair indication of the position. The actual fluctuations in the indices since the war, are shown in Appendix A, which also gives the figures correlated to a base of August 1939=100. It will be seen therefrom that:—

- (1) the *Bombay* figures rose to a maximum of 109, i.e., an increase of 9 per cent., in January 1940, after which it fell till March and April both of which months showed a 5 per cent. increase from which date there has been an increase to 6 per cent.;
- (2) the *Sholapur* figure showed a large increase in the first instance rising to 13 per cent. in December 1939; it then dropped in April to only 1 per cent. above the August 1939 figure, and at present stands at 4 per cent.;
- (3) for *Nagpur*, the December 1939 rise was still more, rising to 14 per cent., and although it went down to 5 per cent. in March 1940, it is now up again to 9 per cent.;
- (4) lastly for *Jubbulpore*, the December 1939 increase was the greatest of all i.e., 17 per cent. It then fell to 6 per cent. in February 1940 and is now up again at 15 per cent.;

In general, it may be said that there was a rise in all the indices which reached a maximum at the turn of the year, after which there was a decline in the spring of 1940, and that now the indices are again rising slightly.

4. *Rise in grain prices in the mofussil*.—A good deal of detailed information supplied by the local civil authorities, has been obtained from the Administration’s Divisional Offices. This information is printed in Appendix D and shows the fluctuations before the war and since the war began. It may be summarised as follows:—

5. On the *Bombay* Division, which represents four Talukas or Sub-Divisions, the Appendix shows average prices current in the month of December each year from 1922 to 1938, those in August 1939 and in June (or July) 1940. The latest figures, i.e., those for June (or July) 1940 indicate the following increases or decreases in the purchasing power of a rupee when compared with August 1939:—

In 2 items the decrease in the purchasing power of a rupee is about 15 per cent.

In 1 item the decrease in the purchasing power of a rupee is about 9·8 per cent.

In 1 item the increase in the purchasing power of a rupee is about 1·57 per cent.

6. On the *Bhusawal* Division which represents 25 Talukas or Sub-Divisions the Appendix shows the prices current in the month of December each year from 1922 to 1938, those in August 1939 and in June 1940. The latest figures *i.e.*, those for June 1940 indicate the following increases or decreases in the purchasing power of a rupee when compared with that in August 1939.

7. In 21 out of the 25 Talukas there have been increases in the purchasing power of a rupee and in one instance it is as much as 61·70 per cent. This refers to the price of Jowari. In only 3 Talukas has there been a decrease in the purchasing power of a rupee, ranging between 2·15 per cent. to 14·14 per cent. In one Taluka there is no change.

8. In respect of wheat, in 23 out of 25 Talukas there has been a decrease in the purchasing power of a rupee ranging from 2·24 per cent. to 25 per cent., in one Taluka the decrease is 44·94 per cent. and in the other there is no change.

9. In respect of Rice, in 20 out of 25 Talukas there are decreases ranging from 1·04 per cent. to 24 per cent. and in the remaining 5 Talukas the decreases range from 25 to 48 per cent.

10. On the *Jubbulpore* Division which represents 8 Talukas the Appendix shows prices current in the month of December each year from 1926 (in two Talukas from December 1928 only) to 1938, those in August 1939 and in June 1940. The latest figures, *i.e.*, for June 1940 indicate that there is decrease in the purchasing power of a rupee ranging from 4·17 per cent. to 33·56 per cent. except in Banda Sub-Division where there is increase in the purchasing capacity by 3·70 per cent. in respect of Gram.

11. On the *Sholapur* Division which represents 11 Talukas the Appendix shows the prices current in the month of December each year from 1922 to 1938, those in August 1939 and in June 1940. The latest figures, *i.e.*, those for June 1940 indicate that in one Taluka there is an increase in the purchasing power of a rupee of 1·6 per cent., in the other the increase is 10·16 per cent. while in the remaining 9 Talukas there are decreases ranging from 2·53 per cent. to 35·71 per cent.

12. On the *Jhansi* Division which represents 8 Talukas the Appendix shows prices current in the month of December each year from 1922 to 1938, those in August 1939 and in June 1940. The latest figures, *i.e.*, for June 1940 indicate that there are decreases in the purchasing power of a rupee ranging from 0·47 per cent. to 19·23 per cent.

SECOND TERM OF REFERENCE.

“Having regard to the previous movements in wages and prices does the rise since the outbreak of war establish a case for a war allowance for the Lower-Paid staff?”

13. *Past fluctuations in indices.*—It is now necessary to review the fluctuations in prices before the war. and then turn to the question of wages. The monthly movements in the Bombay cost-of-living index since 1915 are shown in Appendix B with graphs B-1 and B-2, and those for Sholapur, since 1928 and for Nagpur and Jubbulpore since 1925 in Appendix C with graphs C-1 to C-3.

- (i) The base of the *Bombay* index which was 1914=100 up to 1934 was changed in that year to that of the average between July 1933 and June 1934; but the indices have been linked up by the method which was accepted by the Madgaonkar Board of Conciliation, *vide* para. 15 of their Report at page 655 of the Bombay Government Gazette Extraordinary of 8th April, 1940. It is a method which, it is understood, has been accepted by statisticians in most parts of the world. The Bombay index, therefore, taking 1914 as 100, and considering the annual figure, rose in 1920 to 183, then dropped steadily to 154 in 1923, after which there was a slight decline to 147 in 1928. The depression began in 1930-31 and the index reached a trough at 97 in 1934. From that date until the end of 1939 there has been an increase up to about 106.
- (ii) For *Nagpur*, with a base of January, 1927 as 100, the index was 105 in 1925. The trough of the depression was, as in Bombay, reached in 1934, at 57 after which there was a general rise to 63 in 1939.
- (iii) *Jubbulpore* with a similar base, *i.e.*, January, 1927 as 100, gave 97 in 1925, dropped to 54 in 1934 and then rose to 59 in 1939.
- (iv) *Lastly*, the *Sholapur* index with a base of 100 for February, 1927 to January, 1928 reached the trough earlier, in 1933 at 69 and only came up to 74 in 1939.

14. *Rise in food costs as a whole.*—It is fully realised that the rise in the cost of living index may not necessarily be the same as the rise in any of the groups used in its compilation and as food accounts for 47 per cent. of the workers' expenditure in Bombay, and as the data available for the mofussil are exclusively in regard to staple food grains, it is expedient to consider the actual fluctuations in the cost of food in, for instance, the Bombay index. Below are given the various published indices for the groups used in compiling the Bombay index since August, 1939, from which it appears that the food group starting from a figure of 112 during that month rose to 128 in January, 1940 and now stands at 127. This may be compared with the total final cost of living index of which the published figure is 105 in August, 1939 rising to 114 in January and now standing at 113. It is admitted

therefore that the rise in food has been more accentuated than in other items of working class expenditure. But this food group only accounts for a little less than half of the worker's total expenditure:—

Group and final Bombay Indices.

Month.	Food.	Fuel and lighting.	Clothing.	House rent.	Misc.	Total.
August 1939 . . .	112	99	85	100	98	105
September . . .	114	100	84	100	98	106
October . . .	119	98	88	100	98	108
November . . .	119	100	89	100	98	109
December . . .	126	100	91	100	99	113
January 1940 . . .	128	100	92	100	99	114
February . . .	124	101	94	100	98	112
March . . .	121	101	94	100	98	110
April . . .	121	101	91	100	98	110
May . . .	122	101	91	100	99	111
June . . .	124	101	90	100	96	111
July . . .	127	103	90	100	96	113

15. It will be seen from Appendix D that staple food grains have fallen in price very substantially within recent years. Details of prices before 1926 are not available in respect of the Jubbulpore Division and are only available for the other Divisions from 1922. There can be no doubt, however, in view of the fact that the cost of living index was as high as 183 in 1920 that food grains were higher in price before 1922 than after that year. The following brief analysis indicates the change in the purchasing power of the rupee in August 1939 compared with December 1922, and in June 1940 also compared with December 1922.

For *Bombay* Division all four items show that the purchasing power of a rupee increased by 57.69, 81.43, 31.21 and 53.54 per cent. respectively in August, 1939 when compared with that in December, 1922.

In June 1940 the purchasing power of a rupee has increased for all four items when compared with that in December, 1922. The increases are 33.65, 84.29, 21.05 (July 1940) and 29.29 (July 1940) respectively.

For the *Bhusawal* Division, representing 25 Talukas, the increase in the purchasing power of the rupee in August, 1939 compared with that in December, 1922 is even greater, in one instance being as much as 162.55 per cent. There are only five items out of a total of 75 where the purchasing power of the rupee has decreased. These are for Jowari where the decrease was 0.83 per cent. at Wardha, 4.41 per cent. at Betul, 15.38 per cent. at Burhanpur, 10.23 per cent. at Chanda and 5.88 per cent. at Chandur.

In June 1940, the purchasing power of a rupee when compared with that in December, 1922 has increased generally and in one instance as much as 100 per cent. There are only five items out of a total of 75 where the purchasing power has decreased. Three of these refer to the price of Jowari where the decrease in the purchasing power was 2.22 per cent. at Chhindwara, 4.14 per cent. at Harsud and 3.85 per cent. at Burhanpur. The other 2 items in which there was a decrease in the purchasing power of the rupee, refer to the prices of rice, viz., 10.49 per cent. at Murtizapur and 3.21 per cent. at Chanda.

For the *Jubbulpore* Division, representing 9 Talukas, there has been an increase in the purchasing power of a rupee in all items in August 1939, compared with that in December 1922, this increase being as much as 184.21 per cent. in one item.

In June 1940, the purchasing power of a rupee compared with that in December 1922 has increased in all cases, and up to as much as 152.63 per cent. in one item.

For the *Sholapur* Division, representing 11 Talukas there has been an increase in the purchasing power of a rupee in all items in August 1939, compared with that in December, 1922 and up to as much as 150 per cent. in one item.

In June 1940, the purchasing power of a rupee compared with that in December, 1922 has increased in 9 out of 11 items. The increase was as much as 120.31 per cent. in one item. In the remaining 2 items there has been a decrease in the purchasing power and these are 5.26 per cent. for Bajri in the Haveli Taluka and 4.12 per cent. for Jowari in the Karmala Taluka.

For the *Jhansi* Division, representing 8 Talukas there has been an increase in the purchasing power of a rupee in all items in August, 1939, compared with that in December, 1922 and up to as much as 52.94 per cent. in one item.

In June, 1940, the purchasing power of a rupee compared with that in December 1922 has increased in all cases, and up to as much as 23.53 per cent. in one item.

16. *Previous movements in wages.*—Appendix J shows these movements while Appendix K gives details of the scales for the lower paid staff, as from 1st April 1930 (referred to in the Statement as the Chandwani Scales), the scales in force before that date (the Manmad scales) and those introduced for new entrants on 1st January 1935.

retrospectively to 16th July 1931. The Administration have dealt partly with these wage changes in paragraphs 26 and 27 of their reply to the Federation's Statement. Speaking generally, during the four years' war various additions to pay were given from time to time, including a War allowance. These additions were consolidated after the war at a level which, absorbing the allowances and granting further increases, were regarded as adequate compensation for the increased cost of living caused by the war. These may be termed the Manmad Scales.

17. Investigations were instituted prior to 1930 in connection with a general amelioration of conditions of lower-paid employees which, incidentally, included a consideration of hours of employment and other conditions apart from wages. In that year it was found possible to raise the scales of pay of such staff (apart from workshop staff) details of which are given in Appendix K. In some cases, however, the Manmad Scales were slightly more favourable and the staff concerned were permitted to retain them. These may be called the Chandwani Scales.

18. Almost immediately, however, the depression set in, and it was then found necessary not only having regard to railway earnings but also in view of the catastrophic drop in the cost of living to introduce, for new entrants only, reduced scales of pay for all such staff. These may be termed the revised scales for new entrants. It is estimated that on the average the decrease in emoluments for officers and the higher paid subordinates was considerable, but the emoluments of lower paid staff will eventually suffer a reduction of only about 9 per cent. Such reduction, however, will not be achieved until all such staff employed on the Railway are eligible only for the revised scales of pay.

19. This will not happen for a considerable time. The average length of service of lower paid staff is about 25 years. During the years 1930 to 1935, owing to men on the Waiting Lists, whose services had been dispensed with during the economy campaign, having been re-employed on the old scale of pay, new recruitment was more or less at a standstill. Consequently, very few new lower paid staff were engaged until after that date. This is borne out by Appendix G from which it will be seen that only 18.5 per cent. of permanent lower paid staff were on the new scales of pay on 1st August 1940. At this rate of progress it will take about another 20 years before the full 9 per cent. saving on the total cost of this class of staff is realised. As stated in the Administration's reply to the Federation's Statement, the scales of pay introduced for new entrants are in many instances better than those sanctioned after the last war for lower paid staff when the Bombay cost of living index was at its highest figures.

20. *Other conditions of service.*—The Administration having now given full details of the changes in the scales of pay during the last 20 years, desire to draw attention to concessions and privileges enjoyed by railway workers. These are detailed in Appendix L and include certain allowances; free passes and privilege ticket orders; rent-free quarters; generous leave rules and many holidays for most of which wages are drawn; educational assistance which in the case of inferior servants is limited to those in service prior to February

1929; clothing; Provident Fund and Gratuity; security of tenure which is probably greater than in most industries; Regulated hours of employment; free medical attention both for themselves and their families; facilities for discussing the conditions of service in Staff Councils; a Benefit Fund to which the Administration contributes liberally and which is administered by a Committee composed mainly of the staff themselves; Institutes, Athletic and Sports Clubs, an Employee's Co-operative Bank, in which connection it may be mentioned that interest on loans made to staff has dropped from 9 to 6½ per cent. p. a. in recent years; finally a Mutual Benefit Society. Facilities are granted by the Administration to the Bank and the Society which enable them to function very economically in the interests of the staff.

CONCLUSION.

21. *Dearness Allowance not justifiable at present.*—At the beginning of this Statement the Administration said that they did not consider that under present conditions the grant of a dearness allowance was justified. It has been shown that in the past the cost of living has from time to time fluctuated, but normally within certain restricted limits. There have, however, been two large fluctuations, one upwards and one downwards, during the 4 years war and when the depression occurred in 1931. It has also been shown that these two large fluctuations resulted in a change of scales of pay for G. I. P. Railway servants, although when a reduction was made it was only made in relation to new entrants and those on the old scales continued to enjoy them. Apart from this, one other change occurred when the scales for all low paid workers were enhanced in 1930. It cannot be contended that it is necessary or possible to be continually changing scales of pay in accordance with a frequently varying cost of living. All Government servants, and in fact many industrial workers, are continually under the necessity of adjusting their standard of living according to alterations in prices, and there have, in the past 20 years, been cases when alterations have taken place over relatively short periods comparable to the increase which has taken place since the outbreak of the present war. In such cases there has never been any question of altering the scales of pay.

22. The Federation have referred to war allowances which have so far been given in private industry or by local bodies, but it has been shown that some at least of these were in relation to industrial workers whose rates of pay had previously been reduced and it is generally believed that such allowances have not put these workers in a better position than they were before the depression of 1931. All members of the community have at times like the present to adjust their standard of living. The railway worker as a rule, is in a better position both as regards his scale of pay and other conditions of service than the average industrial worker; nor have the concessions allowed to him been in any way restricted during the present emergency. He is, therefore, better able to cope with rising prices, and the Administration cannot accept that the present rise has been such as to justify relief.

APPENDIX IX.

(Second reply of the G. I. P. Railway Administration dated the 16th September, 1940, to the Supplementary Statement dated the 9th September, 1940, put in by the All-India Railwaymen's Federation.)

For convenience the Administration has numbered the paragraphs in the Federation's supplementary statement and comment as follows upon them:

Paragraph 1.—Needs no comment.

Paragraphs 2—5.—The Court having already ruled against the Federation's contention in connexion with the second term of reference, their fresh submissions in regard thereto should not be accepted. Their attempt to introduce the matters mentioned in these paragraphs should, the Administration submits, be regarded as irrelevant, in view of the specific instructions in the terms of reference to consider the previous movements in wages and prices before the present war, in deciding whether the rise since the outbreak of war establishes a case for a war allowance for the lower paid staff.

Paragraph 6.—The wage movements of railway employees since 1914 are detailed in Appendix J, accompanying the Administration's reply to the Federation's main statement and their own statement. The Federation's claim that the cost of living in 1920-22, had risen by 190 per cent. over 1914, is denied. The official cost of living indices published by the Government of Bombay, reproduced in Appendix B of the Administration's reply, show that the highest increase in the cost of living over and above 1914 figures was 83 per cent, in 1920. In 1921 it was 73 per cent. higher than in 1914 and in 1922 the increase had fallen to 64 per cent.

The statement made in this paragraph that the increases of pay given to railway workers after the last war left them in an unfavourable position is denied so far as this applies to the G. I. P. Railway. The increases referred to were granted as a result of negotiations between the Administration and delegates of workers. The staff at that time accepted the increases as satisfactory and some, at least, regarded them as generous. This is how the worker representatives telegraphed to the then Agent of the Railway their acceptance of the increases offered:—

“Meeting Manmad assembled at 8 P.M., and after deliberation on your telegram have decided to accept in terms of your letter dated 9th April 1920, and your telegram of date that increases should have retrospective effect from 1st September 1919, to be confirmed by 30th April, 1920.

Meeting expresses thanks for the courteous way you have received deputation and for the assistance rendered to delegates at Manmad . . . ”.

Another telegram received from the staff in this connexion reads as follows:—

“A meeting of railway workers of all classes held at Igatpuri this evening desires to thank you for your generosity revised scales of pay.”

Paragraph 7.—The statement in the first sentence of this paragraph is denied and this denial is supported by the fact that in 1931 a new set of scales on reduced pay was contemplated and eventually introduced as from 16th July 1931. The Administration submit that the contents of this paragraph are in the main irrelevant as the Court are not concerned with the question of fixing minimum wages.

Paragraph 8.—It is submitted that the first sentence in this paragraph is irrelevant. In regard to the second sentence, the alternative to demotion was the discharge of staff in the various grades who were surplus to requirements. Thus the principle of demotion was beneficial to the staff with longer service. On this Railway the number of staff drawing below Rs. 30 per month, who were demoted, was only about 700. A large majority of these have long since been restored to their old grades whilst some of those have received further promotion.

Paragraph 9.—This matter is dealt with in paragraphs 16 and 17 of the Administration's main statement. Appendix G, referred to in that paragraph shows that on 1st August, 1940, the percentage of lower paid permanent staff on the revised scale for new entrants was 18.5 and not 30 per cent. as estimated by the Federation.

Paragraph 10.—The first part of this paragraph is correct. In effect, those on the old scales were in receipt of higher wages than the cost of living justified when compared with the cost of living in 1931 on which the revised scales for new entrants were fixed. The second part, it is submitted, is irrelevant to the Terms of Reference.

Paragraph 11.—Most of what is stated in this paragraph is, it is submitted, irrelevant. It is denied that the reduction in wages effected was between $7\frac{1}{2}$ per cent. and 60 per cent. Appendix H to the Administration's main statement, which gives some representative categories, shows that the percentage reduction in some instances was as low as 2.8 per cent. for lower paid staff and the highest for those categories was 15 per cent. It is not denied that in some cases the reduction exceeds 15 per cent. but in no case of lower paid staff does the reduction amount to 50 per cent. as alleged by the Federation. Incidentally, there is no efficiency bar in the case of lower paid staff, although there is one for clerical staff in one grade only, that is the Rs. 30—4—50—E. B.—5—80 grade. The statement that the revised scales of wages “caused to the workers a loss of over three crores of rupees a year or nearly Rs. 50 per worker” is denied. As shown in paragraph 19 of the Administration's main statement the full saving will not accrue until all staff of the railway are on the new scales of pay, and at the present rate of progress this will take about another 20 years so far as the G. I. P. Railway is concerned. As, however, the workers

concerned are all new entrants, it cannot reasonably be said that they have been put to any loss at all for they were never entitled to any scales but the revised ones.

Paragraph 12.—The statement in this paragraph is denied. It is submitted that the figures given of real wages in Appendix F of the main reply to the Federation's case show quite clearly that the workers have gained substantially.

Paragraph 13.—This is dealt with in paragraphs 11, 12 and 13 of the Administration's reply to the Federation's main statement.

Paragraph 14.—It is submitted that the statements made in this paragraph in regard to strikers are irrelevant to the Terms of Reference. It may, however, be pointed out that the statement that 90 per cent. of this Railway's staff participated in the strike of 1930 is incorrect. It is presumed that the Federation refers to staff of all grades. If so, the percentage who participated in this strike was only about 28. Similarly, the statement made in the same paragraph that those of the strikers who were *re-instated* after the settlement were, in the majority of cases, taken back on the revised scales of wages for new entrants is denied.

After the settlement of the strike on 1st March 1930, a large number of the strikers offered to resume duty. Many of these were immediately put back to duty on their old rates of pay and others, for whom there were no longer vacancies, and whose names were placed on the waiting lists, were also allowed old rates of pay even though they were re-instated on or after 16th July 1931.

The names of those *ex-strikers* who did not comply with the terms of the Government of India Communique of 1st March, 1930, were placed on the Register for Re-employment and only these *ex-strikers* were subject to revised scales of pay introduced for new entrants if they were re-employed on or after 16th July, 1931.

In this paragraph there appears a statement that modern ideas require that standard once reached should not be disturbed. The Administration cannot accept this view, for, as pointed out in paragraphs 21 and 22 of its statement, all members of the community have at times like the present to adjust their standard of living.

Paragraphs 15 and 16.—Most of what is stated in these paras., it is submitted, is irrelevant to the Term of Reference, and otherwise calls for no comment by this Administration.

Paragraph 17.—The Administration, as it has already shown, does not accept the contention in this paragraph.

APPENDIX X.

(First statement submitted by the National Union of Railwaymen of India and Burma, dated Bombay, the 22nd August 1940.)

The Annual General meeting of the Union held in Bombay on 1st August, 1940, on a detailed consideration of all relevant factors unanimously approved of the recommendations of the Executive Committee of the Union which had formulated a percentage salary increase for the employees of all Indian railways drawing below Rs. 100 per month as detailed below:—

Rs. 80 to Rs. 100 p.m.	.	.	.	.	.	.	10	percent.
Rs. 60 to Rs. 79 p.m.	.	.	.	.	.	.	12½	„
Rs. 30 to Rs. 59 p.m.	.	.	.	.	.	.	15	„
Rs. 29 and below	.	.	.	.	.	.	20	„

The union sees no reason to vary the committee's recommendations at this stage in any detail as the position with regard to the cost of living has not materially altered since April this year, the month in which the union concluded its investigations in the matter.

The general reduction in wages and the introduction of the revised scale of pay in recent years greatly strengthen the claims of the workers for a war allowance. The union suggests that any allowances granted now should be treated as an addition to the substantive pay of the workers concerned. This arrangement will be a great relief to the low paid manual workers, and it will serve as a great gesture to the loyal workers both during and after the WAR.

APPENDIX XI.

(Second statement submitted by the President of the National Union of Railwaymen of India and Burma, dated Bombay, the 8th October, 1940.)

Ever since the declaration of war in September last my union has kept a vigilant watch on the prices of commodities. I was in Lahore when the war broke out and I well remember the phenomenal rise in the prices of all articles that set in when profiteering broke out. The price of food-stuffs was then up by 40 per cent. or more and those of medicines and hardware by 100 per cent. In my letter to His Excellency the Governor of the Punjab I stressed on the need to place immediate checks on profiteering. The governmental action that followed did have a stabilising effect on prices, but nevertheless the prices continued to soar high with consequent hardship to the low paid workers.

On my return to Khandwa in November, 1939, and since then I continued my investigations on the subject and the findings I arrived at are summarised in the attached statements [not printed]. In December, 1939, there was an increase of 20 per cent. or more on the August figures of the same year in the matter of the cost of living. The percentage increases which the Union has asked for is the barest minimum that is acceptable to the workers.

I raise a special plea on behalf of the low paid workers because in their case the hardship is all the more greater.

There are several categories of workers who do not earn "living wages":—wages sufficient to keep body and soul together, and the condition of these people have greatly deteriorated since the war commenced. The permanent gangmen of the P. & W. and the Engineering Departments draw a maximum salary of Rs. 15 p. m. while those who are temporary are paid but Rs. 8-2 p. m. and it is on their loyal and efficient work that the well-being of the track and the safety of the passengers depend. I have little doubt that those who draw Rs. 50 p. m. and less are hard hit by the rise in prices, and it was this factor that led the union to ask for a higher percentage of increases on behalf of the low paid workers.

The union is aware that the paying capacity of the industries has to be borne in mind when the question of wages has to be adjudicated upon. The upward trend in the revenues of the railways these two years makes it clear that the industry can well afford to make provisions for better emoluments to the staff. It is also to be borne in mind that large scale reductions in establishment and the fixing up of lower scales of emoluments for the staff in recent years have affected the men rather adversely. These were done when the industry was passing through lean years, and now

that conditions have improved as far as the revenues are concerned and the men are hard put to on account of increased cost of living a good case is made out for the granting for decent allowances to improve their living conditions.

As explained already the demands made by the National Union of Railwaymen is the barest minimum that will be acceptable to the workers, and I strongly urge that this Honourable Court of Inquiry be good enough to consider the case of the workers with sympathy.

APPENDIX XII.

Price-relatives for July 1940 (August 1939=100) according to the evidence produced by the All-India Railwaymen's Federation.

Names of Articles.	Official weightage of each.	Exhibit 1. Bombay.	Exhibit 2. Bombay.	Exhibit 3. Bombay.	Exhibit 4. Bombay.	Exhibit 5. Thana.	Exhibit 7. Kurla.	Exhibit 8. Bombay.	Average.	Average × Weight
<i>Food.</i>										
Rice . . .	22	125(a)	129	115	147; 117(b)	112	100	126	121	2,662
Wheat . . .	3	120	127	106	127	112	87(a)	..	113	339
Jowari . . .	1	..	..	..	150	109	..	..	129	129
Bajri . . .	4	..	..	..	..	108	108	..	108	432
Patni . . .	6	..	..	..	118(b)	..	..	..	118	708
Toor-dal . . .	4	100	100	111	100	105	106	..	104	416
Gram-dal . . .	1	..	150	..	114	106	..	..	123	123
Sugar (refined) . . .	5	122	132	112	115	125	122	..	121	605
Raw sugar . . .	1	..	129	94	78	..	133	..	108	108
Tea . . .	2	100	120	..	100	117	..	..	109	218
Tea (Ready made) . . .	5	..	..	100(b)	..	..	..	..	100	500
Salt . . .	1	100	100	..	100	..	..	..	100	100

Names of Articles.	Official weightage of each.	Exhibit 1.	Exhibit 2.	Exhibit 3.	Exhibit 4.	Exhibit 5.	Exhibit 7.	Exhibit 8.	Average.	Average \times Weight.
		Bombay.	Bombay.	Bombay.	Bombay.	Thana.	Kurla.	Bombay.		
<i>Miscellaneous.</i>										
Pan-supari . . .	25	..	..	100	..	114	..	..	107	2,675
Bidis . . .	22	..	..	..	..	109	..	..	109	2,398
Soap . . .	9	..	106	..	133	106	..	..	115	1,035
Barber . . .	13	..	..	100(b)	..	..	..	..	100	1,300
Travelling . . .	27	..	..	..	..	..	..	..	135(c)	3,645
Total Weights . . .	96	..	..	..	..	..	..	..	..	11,053

(a) Change of quality.

(b) Oral evidence.

(c) Estimated.

Total of items in Statements 9,558-

Add from Labour Gazette for—

Fish—

Official weightage.

Dry bumblows	3	2/2 = 173%	519
		<hr/> 1/3	
Fresh bhing	1	15/7 = 86%	86
		<hr/> 1/5/-	
Fresh prawns	2	8/10 = 88%	176
		<hr/> 10/-	
Fresh bumblows	2	3/7 = 134%	268
		<hr/> 2/8	
Brinjals	5	1/8 = 133%	665
		<hr/> 1/3	
Potatoes	5	5 83%	415
		<hr/> 6	

Grand total (all food) 11,687

Index figure (all food) 117

Fuel and lighting.

Total of items in statements 5,308

Add from Labour Gazette for—

Firewood	52	98	5,096
Grand total (Fuel and lighting)			10,404
Index figure (fuel and lighting)			104
<i>Clothing</i>			125
<i>House-rent</i>			100

Miscellaneous.

Total of items in statements 11,053

Add from Labour Gazette for—

Medicines	3	100	300
Newspaper	1	100	100
Total (Miscellaneous)			11,453
Index figure (Miscellaneous)			115

General index figure.

Food	47	117	5,499
Fuel and lighting	7	104	728
Clothing	8	125	1,000
House-rent	13	100	1,300
Miscellaneous	14	115	1,610
	<u>89</u>	<u> </u>	<u>10,137</u>
General figure			<i>114</i>

APPENDIX XIII.

Relief Scheme.

The first step in framing a table of relief is to classify the various stations and sections of the G. I. P. Railway according to the area in which they fall : Bombay, urban, or rural, in the sense in which we have used these terms. This classification will determine the "subsistence level" to be adopted for each station or section.

The next step is to decide which cost-of-living figure should govern the regulation of the dearness allowance. It must, of course, be the best available figure applicable to the area in question. This may be the cost-of-living index number of the area itself, or of a neighbouring area, or it may be the weighted average of a group of index numbers of several areas ; the choice will depend on what is available. As we have already said, for any satisfactory scheme of regulation it is necessary to have revised and up-to-date index numbers ; but if they are not available within a reasonable time, it may be necessary to do the best possible with the existing numbers. We would suggest that unless there is an index number for the area itself (as in Bombay, Sholapur, etc.,) the simplest plan would be to take the weighted average of all the indices available. We have already said that so far as we have been able to ascertain, the cost of living in all areas, whether Bombay, urban, or rural, has during the first year of the war risen to much the same extent, and we anticipate that this will largely continue to be the case in spite of local aberrations as at Jubbulpore. Unless our anticipations are falsified by local causes, such as, drought, floods, and earthquake, on the one hand, and bumper harvests on the other, it is probable that a weighted average of the various indices would provide not only a simple but also a fair basis for revision. We repeat that we suggest this plan for adoption only until revised and up-to-date cost-of-living figures as recommended in paragraph 111 of our Report are available. Whichever figure is selected for a particular area for purposes of regulation and whatever the base upon which it is constructed, we shall assume for the purposes of the sub-joined table that the average figure for the 12 months from September 1939 to August 1940 is reduced to 100, and that all subsequent figures are reduced in the same proportion. If, for example, the best figures available for a particular area are the existing series of index numbers for Bombay City, imperfect though they may be, the average of the official Bombay figures for the above period, namely 111, will be reduced to 100 and the subsequent figures reduced accordingly : thus the figures for September, October and November 1940, which were respectively 112, 113, and 113, will be reduced to 101, 102, and 102 for the purpose of applying the table below. Let us call these the 'reduced figures'. Although the unreduced figures may be in error—as we have found, the unreduced average Bombay figure for the 12 months from September 1939

to August 1940 ought to be about 115 instead of 111—the reduced figures will probably be freer from error, as they represent merely the ratio of the unreduced figures.

The dearness allowance payable in October, November and December 1940 will be on the scale recommended in our Report.

Some time in December 1940, the index number for November will be available and as soon as it is available the allowances payable in January, February and March 1940 will be determined thus : suppose the average of the reduced figures for September, October and November is 103. The rise being by less than 5 full points, the governing figure remains 100, and the allowances will be the same as in the previous quarter. Similarly, if the average works out to say 97, the fall being by less than 5 full points, there will be no reduction in the allowances, as the governing figure is still 100.

It must be pointed out that as on our findings the general rise in the cost of living since the outbreak of the war is 11 per cent. the average cost-of-living figures before and after are in the proportion of 100 to 111, so that if the latter is taken as 100 the former will be about 90. In other words, the average pre-war cost of living will be represented by 90, which will accordingly be the 'no-allowance' figure. Since we have recommended an allowance of Rs. 3/- for the present rise, it follows that Rs. 3/- is the equivalent of 10 points. Therefore, for a rise of 5 points the allowance will be Rs. 1-8-0 per month.

If, therefore, the average reduced figure for the immediately preceding 3 months available on the next date of revision is 95, the dearness allowance admissible will be one-half of that recommended in our Report, with certain marginal adjustments, and the new governing figure will be 95; if, on the other hand, it is 105, the allowance will be increased by Rs. 1-8-0 per month, certain additional income-groups being brought into the scheme and the governing figure will then be changed to 105. These and other details are shown in the sub-joined table. We would point out that once the relevant cost-of-living index figures are available the actual revision should not take more than a few minutes and will be the same for the entire staff concerned in each class of area, whether Bombay, urban or rural. It will be seen from the table that when the cost-of-living figure rises to 110 income-groups above Rs. 56-8 per month are not eligible for relief under our scheme. At first sight it may appear from the figures of income and expenditure of the average families in the groups above this figure as shown in the Report of the Enquiry of 1932-33 that they would be unable to balance their budgets if there was a rise in prices of this magnitude. We think, however, that like the rest of the community they will have to reduce their standard of expenditure slightly, which they can do under the miscellaneous group with the least degree of hardship. If they do so, they will, we think, be able to balance their budgets

We have, therefore, not included them in our scheme of relief at this point. They will, of course, benefit from the cost-price grain concession and possibly from the free or cheap milk concession as well, if our suggestions under these heads are accepted.

It is an inevitable consequence of our scheme of regulation that just as a rise of 5 points in the cost of living from the 100-point-level entitles the worker to an extra allowance of Rs. 1-8-0 per month, so too a fall of 5 points leads to a reduction of the present allowance by Rs. 1-8-0 per month. The reduction and the increase must correspond to each other if the scheme is to be logical.

But although for logical completeness, we have included a minus scale to provide for a fall in the cost of living from the present level, we do not wish it to be understood that we advocate its being brought into operation, if the state of Railway revenues in future permits of the present allowance being retained as an integral part of the wages of those who are below the subsistence levels we have adopted in this Report.

Relief.

Average cost-of-living index number for September 1939—August 1940 being taken = 100.

If the "governing figure" for any quarter is—

Relief will be on—

Initial Scale.

100 Scale recommended in Report.

Second Scale.

105 (a) to those entitled to relief on the "initial scale", an additional Rs. 1-8-0 per month

plus

(b) to others whose earnings do not exceed Rs. 45/40/35 per month Rs. 1-8-0 per month.

plus

(c) to those whose earnings exceed Rs. 45/40/35 per month by an amount less than Rs. 1-8-0, an allowance equal to the deficit.

Third Scale.

110 (a) to those entitled to relief on the "second scale", a further addition of Rs. 1-8-0 per month

plus

(b) to others whose earnings do not exceed Rs. 55/50/45 per month, a further addition of Rs. 1-8-0 per month

plus

(c) to those whose earnings exceed Rs. 55/50/45 per month, by an amount less than Rs. 1-8-0, an allowance equal to the deficit.

Minus Scale.

95 "initial scale" minus Rs. 1-8-0.

90 No allowance.

**Explanation.*—The “governing figure” for any quarter is determined thus :—

(a) The “governing figure” for the quarter October-December 1940 must be taken as 100.

(b) The “governing figure” for any subsequent quarter depends upon the average of the cost-of-living index numbers for the 3 latest months available at the beginning of the quarter. If the average number is a multiple of 5, it will itself be the “governing figure”. If the average number is not a multiple of 5, the multiple (of 5) which is just higher, or the multiple (again of 5) which is just lower, whichever is nearer to the previous “governing figure”, is taken to be the new “governing figure”. Thus if the average is 103, the new “governing figure” is taken to be 100 if the previous “governing figure” was 100 or less; and to be 105 if the previous “governing figure” was 105 or more.

The “governing figure” is thus always a multiple of 5 and is the figure on which adjustment for any quarter is made, and when a subsequent adjustment operates, the figure on which the new change is based becomes the “governing figure”. No new adjustment obtains until the relevant average index number for the 3 latest months available falls or rises by full 5 points from the “governing figure”. This will have a steadying effect, and will tend to minimise changes in the allowance.

We may add that this is closely analogous to the system followed on English railways in adjusting the sliding scale bonus to the cost of living.

Bombay Area.

Details of the scheme.

Governing figure . . .	Initial scale.	Second scale.	Third scale.	Minus scale.
	100	105	110	95
Pay.	Allowance.	Allowance.	Allowance.	Allowance.
	Rs. AS.	Rs. AS.	Rs. AS.	Rs. AS.
Rs. 35 and under . . .	3 0	4 8	6 0	1 8
Rs. 36	2 0	3 8	5 0	0 8
Rs. 37	1 0	2 8	4 0	<i>Nil</i>
Rs. 38	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 39	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 40	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 41	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 42	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 43	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 44	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 45	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 46	<i>Nil</i>	0 8	2 0	<i>Nil</i>
Rs. 47	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 48	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 49	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 50	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 51	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 52	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 53	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 54	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 55	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 56	<i>Nil</i>	<i>Nil</i>	0 8	<i>Nil</i>
Rs. 57 and over . . .	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

Urban Area.

Details of the scheme.

	Initial scale.	Second scale.	Third scale.	Minus scale.
Governing figure .	100	105	110	95
Pay.	Allowance.	Allowance.	Allowance.	Allowance.
	Rs. As.	Rs. As.	Rs. As.	Rs. As.
Rs. 30 and under . . .	3 0	4 8	6 0	1 8
Rs. 31	2 0	3 8	5 0	0 8
Rs. 32	1 0	2 8	4 0	<i>Nil</i>
Rs. 33	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 34	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 35	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 36	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 37	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 38	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 39	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 40	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 41	<i>Nil</i>	0 8	2 0	<i>Nil</i>
Rs. 42	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 43	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 44	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 45	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 46	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 47	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 48	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 49	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 50	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 51	<i>Nil</i>	<i>Nil</i>	0 8	<i>Nil</i>
Rs. 52 and over . . .	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

Rural Area.

Details of the scheme.

	Initial scale.	Second scale.	Third scale.	Minus scale.
Governing figure . .	100	105	110	95
Pay. .	Allowance.	Allowance.	Allowance.	Allowance.
	Rs. As.	Rs. As.	Rs. As.	Rs. As.
Rs. 25 and under . .	3 0	4 8	6 0	1 8
Rs. 26 . . .	2 0	3 8	5 0	0 8
Rs. 27 . . .	1 0	2 8	4 0	<i>Nil</i>
Rs. 28 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 29 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 30 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 31 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 32 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 33 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 34 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 35 . . .	<i>Nil</i>	1 8	3 0	<i>Nil</i>
Rs. 36 . . .	<i>Nil</i>	0 8	2 0	<i>Nil</i>
Rs. 37 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 38 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 39 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 40 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 41 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 42 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 43 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 44 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 45 . . .	<i>Nil</i>	<i>Nil</i>	1 8	<i>Nil</i>
Rs. 46 . . .	<i>Nil</i>	<i>Nil</i>	0 8	<i>Nil</i>
Rs. 47 and over . .	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

APPENDIX XIV.

1. Grant of quarters rent free or on payment of rent.

Extent to which housing is provided by railways.—The general policy on railways is to provide quarters:—

- (a) where it is necessary for special reasons to provide accommodation for certain classes close to their work;
- (b) where conditions are such that private enterprise does not adequately meet the demand for housing the staff.

2. *Quarters for workshop employees.*—As a rule workshop staff are not provided with railway quarters, as the majority of railway workshops are located within easy reach of big towns where accommodation is available and the staff are not required to perform duties outside the fixed hours of work. So far as employees at Parel and Matunga are concerned a workmen's train is provided to convey them to and from their place of work, free workmen's tickets being issued to them.

3. *Staff entitled to free quarters.*—Railway employees who under ordinary circumstances of work are liable to be called upon at any time without notice to attend to the business of the railway are generally provided with quarters free of rent, if such staff were in service prior to 1st April, 1932.

The revised rent rule policy which was introduced on 1st April, 1932 lays down that all future entrants will have to pay rent, except:—

men in inferior service drawing Rs. 30 per mensem and under, who are granted rent free quarters, if available.

2. Grant of free clothing.

Uniforms.—Summer and winter uniforms, including head-dress, coat, trousers, jerseys, etc., are provided on a scale fixed with reference to the requirements of each case and to the normal wear and tear of the article supplied to staff:—

- (a) who in the performance of their duty come in contact with the public, *e.g.*, station staff, running staff, etc., or
- (b) who are low paid and work under special conditions (such as entail the use of proper dress or involve heavy wear and tear of clothing), *e.g.*, office peons, watchmen, certain classes of shed and carriage and wagon menial staff, etc.

2. Clothing is also supplied on a limited scale to labourers and others whose duties expose them to cold or wet weather. Thus overcoats or blanket coats are issued once every third year or so to labour employed on the maintenance of permanent way. A blanket is valued at Rs. 2-2-0.

3. An umbrella is issued once a year to employees such as office-peons, watchmen, gatekeepers, etc., who have to move about in the monsoon. An umbrella is valued at Rs. 1-14-0.

4. As an example, the monetary effect of the clothing issued to certain select class of employees is indicated below:—

Class of employees.	Clothing allowed to each employee as per Dress Regulation.	Cost of garment.
Transportation.		Rs. A. P.
<i>Traffic Menial Staff.</i>		
	<i>Summer—</i>	
	1 Coat cotton blue	0 15 0
	1 Short	0 9 0
	1 Turban	1 6 0
Pilotmen		
Locking Poters		
Muccadums	Total .	2 14 0
	<i>Winter—</i>	
Porters	1 Coat woollen blue	4 11 0
Pointsmen	1 Short cotton blue	0 9 0
Levermen		
Coolies (Train Examining)	Total .	5 4 0
	<i>Summer—</i>	
	1 Coat cotton blue	0 15 0
	1 Shorts cotton blue	0 9 0
	1 Turban	1 6 0
Sweepers	Total .	2 14 0
Relg. Pointsmen	<i>Winter—</i>	
	1 Coat serge blue	4 11 0
	1 Shorts cotton blue	0 9 0
	Total .	5 4 0
<i>Menial Staff.</i>		
	<i>Summer—</i>	
	1 Coat cotton blue	0 15 0
	1 Trouser cotton blue	0 13 0
	1 Cap	0 3 3
	Total .	1 15 3
Augwallas	<i>Winter—</i>	
	1 Woollen coat blue	4 11 0
	1 Trouser cotton blue	0 13 0
	1 Cap woollen blue	0 9 0
	Total .	6 1 0

Class of employees.	Clothing allowed to each employee as per Dress Regulation.	Cost of garment.
Transportation—contd.		
<i>Menial Staff—concl'd.</i>		Rs. A. P.
	<i>Summer—</i>	
	1 Coat cotton blue . . .	0 15 0
	1 Shorts cotton blue . . .	0 9 0
	1 Cap cotton blue . . .	0 3 3
	Total .	1 11 3
Pointsmen . . .	<i>Winter—</i>	
Engine Cleaners . . .	1 Coat woollen blue . . .	4 11 0
	1 Shorts cotton blue . . .	0 9 0
	1 Cap woollen blue . . .	0 9 0
	Total .	5 13 0
Office Peons . . .	<i>Summer—</i>	
Office Hamals . . .	2 Coats white long . . .	2 10 0
	2 Trousers white . . .	1 4 0
	1 Turban red turkey . . .	1 12 0
	Total .	5 10 0
	<i>Winter—</i>	
	1 Coat woollen . . .	8 0 0
Commercial.		
Ticket Collectors . . .	<i>Summer—</i>	
	3 Suits white drill. . .	7 15 6
	<i>Winter—</i>	
	1 Suit serge . . .	8 12 0
	<i>Summer—</i>	
	1 Coat khaki . . .	1 13 0
	1 Shorts khaki . . .	1 0 0
	1 Turban khaki . . .	2 3 0
	Total .	5 0 0
Head Watchmen . . .	<i>Winter</i>	
Watchmen . . .	1 Overcoat (every 6th year) . . .	7 2 0
	1 Pair putties wollen khaki . . .	1 8 0
	1 Jersey (every 2 years) . . .	2 1 0
	Total .	10 11 0

Class of employees.	Clothing allowed to each employee as per Dress Regulation.	Cost of garment.
Engineering.		Rs. A. P.
	<i>Summer—</i>	
	1 Coat khaki	1 8 0
	1 Shorts khaki	0 15 0
	1 Turban khaki	2 3 0
	Total .	4 10 0
Trollymen	<i>Winter—</i>	
	1 Coat woollen	4 11 0
	1 Short woollen	2 10 0
	Total .	7 5 0
	<i>Summer—</i>	
Gate men	1 Coat cotton blue	0 15 0
Ramoshees	1 Short cotton blue	0 9 0
Watchmen	1 Turban cotton blue	1 6 0
Chainmen	Total .	2 14 0
Khalasis	<i>Winter—</i>	
	1 Coat woollen	4 11 0
	1 Short cotton blue	0 9 0
	Total .	5 4 0
Medical.		
	<i>Summer—</i>	
	4 Coats white cotton	5 4 0
	4 Trousers white cotton	4 4 0
	2 Caps white cotton	0 8 0
	Total .	10 0 0
Male Ward Attendants	<i>Winter—</i>	
	2 Coats woollen short	6 14 0
	2 Trousers woollen	6 8 0
	Total .	13 6 0

Class of employees.	Clothing allowed to each employee as per Dress Regulation.	Cost of garment.
		R. A. P.
Medical—contd.	Summer—	
	4 Coats cotton blue	4 0 0
	4 Trousers cotton blue	3 4 0
	2 Turbans blue	2 12 0
	Total	10 0 0
	Winter—	
Male Hospital Sweepers	1 Coat woollen short	3 7 0
	1 Trouser woollen	2 9 0
	Total	6 0 0
	Summer—	
	4 Coats cotton blue	4 0 0
	4 Trousers cotton blue	3 4 0
	2 Turbans cotton blue	2 12 0
Conservancy Muccadums	Total	10 0 0
	Winter—	
	1 Coat woollen	4 11 0
	1 Trouser woollen	2 9 0
	Total	7 4 0

5. The cost on account of the supply of clothing to various staff, as reported by the Clothing Committee in 1930, is as noted below:—

Department.	Amount.
	Rs. A. P.
General Manager's Office	450 1 0
Transportation	1,74,685 8 0
Commercial	33,971 14 0
Engineering	31,183 10 0
Medical	3,826 11 0
Mechanical	8,073 5 0
Stores	1,908 6 0
Total	2,54,099 7 0

3. Grant of Gratuity (a) service or (b) compassionate.

(a) *Service Gratuity*.—All permanent non-pensionable employees including menials are eligible, gratuity being payable in the event of their death to their widows or dependent children, but not to other relatives on completion of 30 years' "good, efficient, faithful and continuous" service; or on attainment of the age of 55 years, provided not less than 15 years' service has been completed; or on retirement or resignation after 15 years' service, on grounds admitted by

the authority competent to sanction the gratuity as good and sufficient from the point of view of the administration; or on retirement with less than 15 years' service due to—

- (i) permanent physical or mental incapacity, or
- (ii) abolition of appointment, if other suitable employment cannot be found for the employee.

Gratuity is given at the rate of half-a-month's pay per year of service, subject to a maximum of 15 months' pay. In case of those retiring with less than 15 years' service as a result of medical unfitness or abolition of appointment gratuity is given at the rate of half-a-month's pay, which in special circumstances may be raised to one month's pay for each year of service, subject to a maximum of six months' pay in all.

(b) **Compassionate gratuity.**—If an employee dies leaving a widow, dependant children or other members in straitened circumstances, a compassionate gratuity may be allowed at the rate of half-a-month's pay per year of service, subject to a maximum of six months' pay or Rs. 2,500, whichever is less but not in addition to any other service gratuity. These limits may be raised by the Government of India in specially hard and deserving cases to six months' pay irrespective of the length of service or Rs. 5,000, whichever is less.

4. *Medical attention.*

The Medical organisation on the G. I. P. Railway consists of a Principal Medical and Health Officer, assisted by 7 District Medical Officers and 2 Assistant Medical Officers. The Railway maintains 7 Hospitals and 30 Dispensaries.

2. *Gratuitous medical attendance.*—All railway servants and their families are entitled to gratuitous medical attendance when seeking it at the Railway hospital or dispensary, as out-door patients, and also, to the extent of the accommodation available, as in-door patients.

Railway servants on pay below Rs. 25 a month may claim gratuitous medical attendance for themselves and for their families at their houses in necessary cases by the Assistant Surgeon or Sub-Assistant Surgeon or appointed by local arrangement to attend on them, provided they reside within the Railway premises or in the neighbourhood; but they may also claim medical attendance by the District Medical Officer or call him in consultation, on payment if they desire to do so.

Diet is supplied free to employees whose pay is Rs. 30 or less and who are admitted as in-door patients.

3. *Facilities for anti-rabic treatment.*—In addition to the ordinary medical facilities described above, railway employees, in common with other public servants, get certain concessions for anti-rabic treatment.

4. The improved amenities recently provided in this regard for the railway employees are:—

- (a) Opening of anti-rabic centres at Byculla, Bhusaval, Igatpuri, Jhansi, and Sholapur.
- (b) free anti-rabic treatment at a Railway Hospital to such members of an employee's family as are entitled to other free medical treatment at a Railway Hospital, and also in cases where the provincial regulations allow them as members of the general public, free treatment at the Pasteur Institute or other centres;
- (c) actual conveyance charges to a Hospital or Institute and back to an employee, on the days he is required to attend for treatment, if he is not admitted as an indoor patient. The Medical Officer, however, must certify that the patient requires a conveyance.
- (d) free passes to a member of the family of an employee and one attendant when that member is proceeding to an Institute or Hospital for anti-rabic treatment.

5. The following statistics indicate the medical treatment afforded during the year 1938-39:—

(a) Total number of Railway employees treated	1,26,348
(b) Total number of Railway employees' families treated	86,430
(c) Daily average attendance of employees at Railway Hospitals and Dispensaries	1588 64
(d) Daily average attendance of employees' families at Railway Hospitals and Dispensaries	688·73
(e) Total in-patients treated in Railway Hospitals	5,754
(f) Number of cases treated at anti-rabic centres	360
(g) Total cost of medical services per head of staff per annum in Rupees	7·88
(h) Total cost of health services per head of staff per annum in Rupees	5 01

Note.—Average cost per patient treated in Railway Hospitals=Rs. 6-8-0 per day.

5. Leave and Holidays.

Revised Leave Rules for State Railway Employees engaged on and after 1st September, 1928.—The leave admissible under these Rules to subordinate staff of Asiatic Domicile is as follows:—

Total leave	One-tenth of service to date.
Half-pay leave	One-fifteenth of service to date.
Half average pay	One-tenth minus one-fifteenth of service to date.
Casual leave	Ten days in any one calendar year.

The maximum amount of leave on average pay that may be granted at any one time is limited to two months which may be extended to four months if the leave is on medical certificate or is

granted after 20 years total service except when the leave is preparatory to retirement.

2. *Leave to Inferior Servants.*—Leave to inferior servants is granted on average pay earned on the following scale:—

Length of total service.	Leave earned in a calendar year.
Less than 3 years	Nil.
3 years and over but less than 10 years	10 days.
10 years and over but less than 20 years	15 days.
20 years and over	20 days.

Provided that when the leave due amounts to 30 days the railway servant ceases to earn leave.

In addition, leave on half average pay, on medical certificate, may be granted within the following limits:—

Length of total service.	Leave Admissible.
Less than 10 years	Nil.
10 years and over but less than 20 years.	Not exceeding 15 days in a calendar year and 60 days in all.
20 years and over	Not exceeding 30 days in a calendar year and 120 days in all including such leave taken before completion of 20 years service.

3. *Leave to daily rated staff* is granted on full pay earned on the scales prescribed under para. 2 above. In addition the following privileges are also allowed:—

- (a) the accumulation of leave in the leave accounts commencing from the calendar year 1939;
- (b) extraordinary leave without leave salary.

4. In the case of staff—

- (a) engaged permanently before 1st July, 1925, the G. I. P. Railway leave rules apply;
- (b) engaged temporarily before 1st July, 1925, and confirmed on or after 1st July, 1925, and engaged between 1st July, 1925 and 31st August, 1928 (including the inferior servants) the Fundamental Rules apply.

5. *Holidays other than weekly rest.*—Workshop employees are allowed about 15 days holidays (*plus* Empire Day and King's Birthday) with full pay and a number of holidays without pay according to the local custom.

Bank and Public Holidays are allowed with pay to the other staff on monthly rates of pay according to the exigencies of the service. They are not generally allowed to persons whose duties are connected with the movement of trains.

6. MISCELLANEOUS.

(a) *Provident Fund*.—Workshop and shed employees who fulfil the following conditions are eligible to subscribe to the Provident Fund:—

- (1) If their pay amounts to Rs. 15 per mensem or above.
- (2) If they are entitled to a month's notice of termination of service.
- (3) If they have completed three years' continuous service.

All other permanent non-pensionable employees excluding menials are eligible.

Note.—The question of extension of Provident Fund privileges to lower paid employees is receiving the attention of the Railway Board—*Vide* para. 29 of the Railway Member's speech introducing the Railway Budget for 1940-41.

(b) *School Subsidy*.—Subject to certain conditions, the subsidy is admissible if an employee is stationed where there is no Railway School or other good School and the child is a boarder at an approved school.

- (i) The amount of subsidy admissible under the old rules is 50 per cent. of the board and tuition fees paid subject to a maximum of Rs. 15 per child per mensem and that under the new rules is as follows:—

Pay of employees.	Limits.
Not exceeding Rs. 100 p.m. . . .	Half the fees for board and tuition.
Rs. 101 to Rs. 200 p. m. . . .	1/3 of the fees for board and tuition.
Rs. 201 to Rs. 300 p. m. . . .	1/4 of the fees for board and tuition.

The assistance is subject, in all cases, to an overriding maximum of Rs. 15 p. m. per child, and to a maximum of Rs. 60 p. m. to any employee at any one time.

- (ii) Staff who joined service on State-managed Railways before 1st February 1929, were allowed the option of electing the New Subsidy Rules upto 31st December, 1932.

- (iii) Inferior servants who were in service prior to 1st February 1929 are also eligible for this concession.

(c) *Hours of Employment*.—The staff on the G. I. P. Railway, to whom the provisions of Chapter VI-A of the Indian Railways (Amendment) Act 1930 apply, have been classified under four categories and the Regulations lay down that the working hours of:—

- (i) *Continuous workers* should not exceed 60 hours a week on an average in any month and they must be granted each week a rest of not less than 24 consecutive hours.

(ii) *Intermittent workers* whose employment is essentially so, shall not be employed for more than 84 hours in any week. The provision of 24 consecutive hours' rest is not applicable in their case.

(iii) *Supervisory* } The staff so classified and also such staff as
(iv) *Exception.* } Chowkidars, Watermen, Sweepers and Gate-men, whose employment has been declared to be essentially intermittent and of a specially light character, have been permanently exempted from the provisions of the Act.

Statutory effect was given to the Hours of Employment Regulations on the G. I. P. Railway from the 1st April, 1932.

(d) *The Railway Staff Council.*—Through the medium of Staff Councils matters of a general nature affecting the staff and involving questions of principle are, as a rule, brought to the notice of the Administration.

(e) *The Staff Benefit Fund.*—The essential feature of this Fund is to give assistance to the staff for recreation and educational purposes as well as compassionate grants in cases of exceptional hardship falling outside the scope of the ordinary financial rules. Payments from this Fund are authorised by a Committee at the Headquarters presided over by Deputy General Manager (Staff) and consisting of seven other members, all Railway employees, one nominated by the General Manager and six elected by the staff.

There are three *Infant Welfare and Maternity Centres*, viz., one at Bhusaval, one at Manmad and the other at Jhansi, the expenses on which account are met from the Staff Benefit Fund. The charges for providing spectacles to those who need them and who draw less than Rs. 30 per mensem, and for artificial limbs supplied to staff are also met from this Fund.

Disbursements made from the Railway Staff Benefit Fund during the year 1938-39 on account of the following accounts are:—

	Rs.
(a) Welfare work for benefit of Railway employees	12,992
(b) Compassionate allowances	2,615
(c) Schools and education of the staff	13,603
(d) Institutes and Recreation Clubs	38,671
(e) Supply of artificial limbs and appliances for injured employees	682
(f) Cost of spectacles supplied to the staff drawing under Rs. 30 per mensem	3,630
(g) Extra medical aids, comforts, etc., i.e., outside the usual supply of medicines, etc., made by the Medical Department	3,918

(f) *Railway Institute*.—The G. I. P. Railway has always paid special attention to the provision of facilities for healthy recreation for its employees and their children, and to this end there are about 68 Institutes, Clubs, Reading Rooms etc., which have been provided by this Administration free of rent.

The Institutes are generally self-supporting, although in deserving cases grants are made from the Staff Benefit Fund to meet the recurring expenses. Membership is optional.

(g) *Mutual Benefit Society*.—This Society provides any member with legal assistance for his defence in the event of his being prosecuted for an offence or offences, under the Indian Railways Act or the Indian Penal Code, alleged to have been committed by him and arising out of and in the discharge of his duties, etc., and certain benefits to members at death or on ceasing to be members after proceeding on leave preparatory to retirement or on termination of service with the Railway, etc.

All employees of the G. I. P. Railway who are permanent and draw not less than Rs. 10 per mensem are eligible for membership of the Society. No entrance fee is levied. The monthly subscription is fixed at the rate of one pie in the rupee calculated on the gross monthly rate of pay of the employee and subject to a maximum of one rupee per month. These recoveries are effected through the monthly paysheets.

(h) *Co-operative Bank Ltd.*, came into being with the primary object of reducing indebtedness among the employees and loans are advanced to staff on the following scale:—

Length of service.	Maximum limit of Loan.
Over 5 years	6 months pay or Rs. 400/- (whichever is less).
Under 10 years	6 months pay.
Upto 15 years	8 " "
Upto 20 years	10 " "
Over 20 years	12 " "

Repayment of loans is restricted to a maximum of 60 instalments. Rate of interest charged at present is $6\frac{1}{4}$ per cent. per annum. The recoveries are made through the monthly paysheets.

Menials are granted loans upto a maximum of Rs. 100 if under 15 years' service or not a member of Provident Fund and Rs. 200 in other cases.

Sir Lawless Hepper Relief Fund.—The Fund is under the management of the Co-operative Bank Ltd., the objects being to grant relief:—

- (i) as loans without interest to shareholders of the G. I. P. Railway Employees' Co-operative Bank in pecuniary distress; this amount is repayable *without interest*

through the paysheets in not more than 48 monthly instalments, the first of such instalments to become payable on the shareholder discharging his liability to the Bank and is subject to certain other conditions.

- (ii) to widows, minor children or widowed mothers of deceased shareholders left in indigent circumstances; the amount loaned is not repayable.

The maximum amount of loan to be granted under this Fund is Rs. 500 or 9 months' salary whichever is less.

(i) *Workmen's Compensation Act*.—The Act, came into force on the 1st July, 1924, and provides for the grant of compensation to all adult workmen. The Act, *inter alia* prescribes in respect of injury sustained while on duty.

- (1) No injury pay for a period not exceeding seven days, and
- (2) A half-monthly payment payable on the 16th day after the expiry of a waiting period of seven days from the date of disablement and thereafter half-monthly during the disablement of an amount as shown in Schedule IV of the Act, which amount is below half the employees full pay,

whereas in actual practice the Railway Administration allows to employees full-injury pay for the entire period of injury.

APPENDIX XV.

Monthly cost-of-living index figures.

Month and year.	Bombay.	Cawn- pore.	Jal- gaon.	Jubbul- pore.	Nagpur.	Shola- pur.	Remarks.
August 1938 . .	105	*	**	56	60	72	* No figures are available prior to January 1940.
September 1938 . .	105			57	63	72	
October 1938 . .	105			57	61	71	** No figures are available prior to June 1940.
November 1938 . .	106			57	61	71	
December 1938 . .	104			57	61	74	
January 1939 . .	105			57	61	74	
February 1939 . .	104			57	60	71	
March 1939 . .	103			56	59	71	
April 1939 . .	103			55	60	71	
May 1939 . .	103			55	59	73	
June 1939 . .	104			57	60	74	
July 1939 . .	105			58	60	74	
August 1939 . .	105			58	64	73	
September 1939 . .	106			62	64	73	
October 1939 . .	108			61	63	75	
November 1939 . .	109			62	67	79	
December 1939 . .	113			69	74	83	
January 1940 . .	114	112		65	71	80	
February 1940 . .	112	112		62	67	79	
March 1940 . .	110	110		63	67	75	
April 1940 . .	110	109		64	68	74	
May 1940 . .	111	109		65	71	75	
June 1940 . .	111	108	110	67	70	76	
July 1940 . .	113	109	111	69	69	76	
August 1940 . .	114	112	110	68	71	76	

APPENDIX XVI.

Cost of Dr. Aykroyd's diet per adult per month. (*Vide* paragraphs 76 and 98.)

Article.	Daily quantity.	Monthly quantity.	In annas per seer in August 1939.			Bombay cost.	Sholapur cost.	Nagpur cost.
			Bombay prices.	Sholapur prices.	Nagpur prices.			
	ozs.	seers.				annas.	annas.	annas.
Cereals (rice) . . .	15	13·6	1·5	1·8	1·5	20·4	24·5	20·4
Milk	8	7·3	4·2	3·0	3·0	30·6	21·9	21·9
Pulse	3	2·7	2·1	1·8	1·8	5·7	4·9	4·9
Non-leafy vegetables .	6	5·5	0·9*	1·2*	1·4*	5·0	6·6	7·7
Leafy vegetables . .	4	3·6	1·0†	1·0†	1·0†	3·6	3·6	3·6
Fats and oils . . .	2	1·8	4·8	4·0	6·6	8·6	7·2	11·9
Fruit	2	1·8	1·0†	1·0†	1·0†	1·8	1·8	1·8
						75·7	70·5	72·2
						4-11-8	4-6-6	4-8-3
Add for salt, spices, sugar and fuel (percentage based on proportionate weight in cost of living index).			13·81%	13·68%	13·59%	0-10-6	0-9-7	0-9-9
						5-6-2	5-0-1	+ 5-2-0

* Average price of potatoes + onions + brinjals (Bombay) and potatoes + onions (Sholapur and Nagpur).

† Assumed prices.